

Kaisa Siitan

Consumer behavior and the influence of in-store factors on consumption of natural beauty care products in the Estonian Market

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Author	Kaisa Siitan
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<p>The objective for current research was to study consumer behavior and influencing factors towards natural beauty products. Therefore, the first aim was to define the general market situation and trends in the world and in Estonia. Furthermore, consumer types, their characteristics and attitudes were studied. Final goal was to define the factors influencing consumer behavior and more precise focus was on the impact of in-store factors.</p> <p>The research used a mixed method of qualitative and quantitative methodology. The qualitative data was gathered with the help of three in-depth interviews from people visiting a natural beauty store. Quantitative data was collected through online surveys and in-store observations. The questionnaire was sent to 165 and 70 fully completed responses were received. The five biggest natural beauty stores in Estonia were evaluated in terms of their atmospherics.</p> <p>The outcomes revealed a growing trend towards chemically free beauty products due to the general concern over health. Nevertheless, confusion over different products and certificates remains. It affects decision making, which tends to be complex and often involves prior information search by consumers. Estonian consumers have a strong preference towards local and what they see as reliable products in order to support these companies. Most influencing factors for consumers were the product itself, the price and producer. The observation of the stores showed satisfactory results as the product variety is rich and service level good, but store atmospherics could be improved. Consumers do not acknowledge the influence of in-store factors on their behavior, however as found in previous studies, these tend to have an unconscious effect on buyers.</p>	
Keywords	consumer behavior; in-store factors; marketing; natural beauty products; Estonian Market

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1 Introduction

Customers are the key elements for any business. Their purchases determine the success and profits of companies. Therefore, it is essential to thoroughly analyze consumer behavior. Over the last number of years concern about the environment has increased and greater product awareness among consumers has been noticed. That has led to a growing demand for natural and eco-friendly products. New natural beauty product brands are being launched rapidly in Estonia which may raise a question if there is really enough consumption for all these brands. Moreover, it would be interesting and necessary for marketers to understand what is actually behind the purchase decision. This leads to a research topic "Consumer behavior and the influence of in-store factors on consumption of natural beauty care products in the Estonian Market".

The term "natural beauty products" should be firstly defined. There are numerous other names used, e.g. organic, eco, bio products, which all have slight differences in the production processes and level of purity in the ingredients. But the main idea for all these products is to exclude synthetic ingredients which may harm consumers and to be more user and environment friendly. Beauty products can also be called cosmetics or personal care products, which refer to all skin-care products, such as creams, lotions, powders, oils, shampoos etc.

Before starting to research the topic, the theory of marketing, consumer behavior and factors influencing it will be studied. The findings from secondary and primary data should highlight the market trends of natural beauty products and situation of local natural beauty stores' atmospherics. Furthermore, consumers' characteristics, attitudes, feelings and behavior towards the products should be revealed. Therefore, the results can be great help for the industry marketers and new entrants.

2 Literature Review

In order to research and understand the factors influencing consumer behavior thoroughly, theories and models of consumer behavior, purchase decisions and in-store factors need to be studied. Most of today's findings are based on theories developed centuries ago and carry fundamental ideas which should not be overlooked. As the world is in continuous change, the recent findings and adjustments should be also reviewed. Therefore, the choice of literature is a combination of the initial theories and the recent findings. The selection of authors was determined by their professionalism and field experts were preferred.

2.1 Marketing Process

Marketing is a complex topic and various models have been developed to explain the diverse aspects of marketing. The model of marketing process (Figure 1) highlights the main steps that marketers should take to become successful. Firstly, it is important to understand the marketplace and customer needs and wants. Market is a set of actual and potential buyers of products or services and market offerings include products, services and experiences through which consumer's needs and wants are fulfilled. (Kotler & Armstrong 2012: 6)

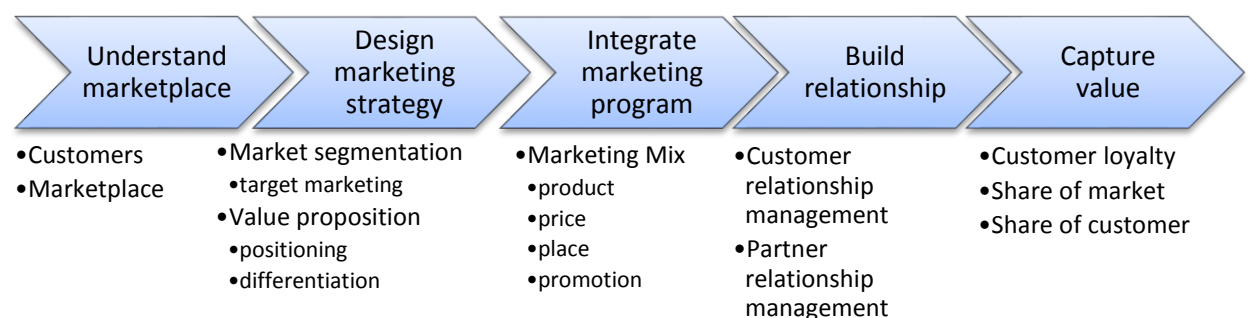


Figure 1. Marketing Process (simplified by author).

The terms “needs” and “wants” can be confusing and the distinction between them should be clarified. Needs are the result of lack in essential physiological requirements for optimal life conditions. Therefore, they are mandatory and satisfied by necessities. Wants are determined by the society and individual preferences. Meaning, they are requirements for non-necessities - products desirable but not mandatory. (Lantos 2015: 3-5) Popular identification of needs has been developed by Maslow (Figure 2), who ranked the needs hierarchically by placing physiological needs (e.g. hunger, thirst, sleep) first and self-actualization (e.g. morality, creativity) as the last needs to be satisfied.

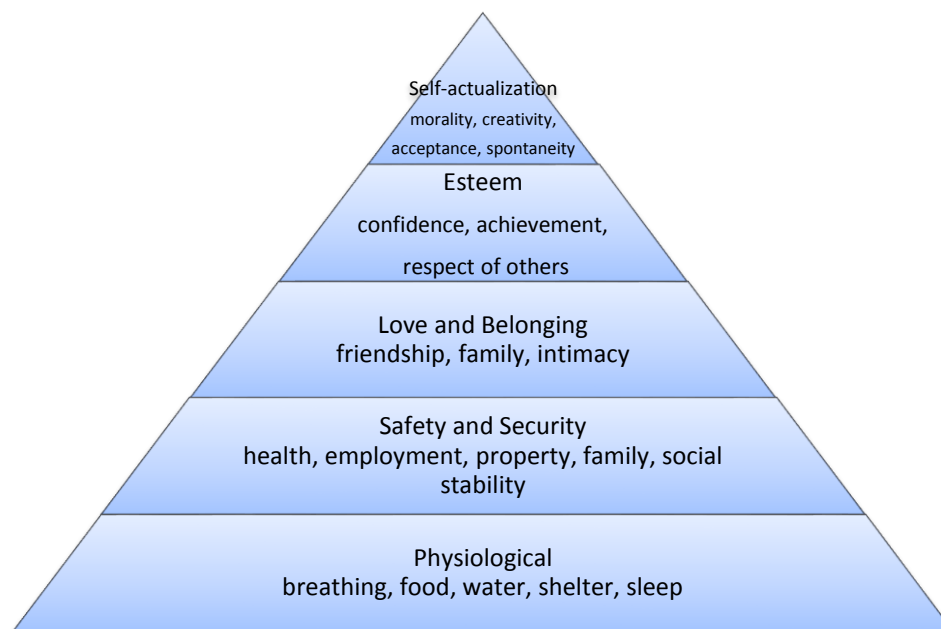


Figure 2. Maslow's Hierarchy of Needs.

The distinction between needs and wants cannot be always clearly stated since the perception of products shifts in time. Items that used to be luxury can be essential for today's consumer and wants can also satisfy physiological needs, but in a more luxurious way (hunger satisfied in a restaurant). (Lantos 2015: 3-5)

After understanding the consumers and the marketplace, a customer driven marketing strategy should be developed. Companies decide, who they will serve through market

segmentation (dividing the market into distinct groups of buyers with different needs, characteristics, behaviors) and target marketing (selecting attractive segments to focus on). To determine how the customers will be served, companies should differentiate and position themselves in the marketplace. Positioning is defined as product arrangement to occupy a clear, distinctive, desirable place compared to competing products in the mind of target consumers. Effective positioning begins by differentiating the market offering in order to create superior customer value. That is stated by the brand's value proposition – set of values and benefits promised to deliver to consumers to satisfy their needs and differentiate from competitors. (Kotler & Armstrong 2012: 8-9)

Branding is a powerful tool for differentiating and positioning. Professor Keller is one of the international leaders in studying strategic brand management. He has developed a Brand Equity Model (Figure 3), which defines the essential steps for creating a strong brand. Customers having positive feelings and perceptions towards a brand are more likely to purchase and recommend it to others. Firstly, people need to be aware of the brand and it has to stand out. In order to achieve that, companies need to understand its customer segments and their needs. (Keller 2001: 15-19)

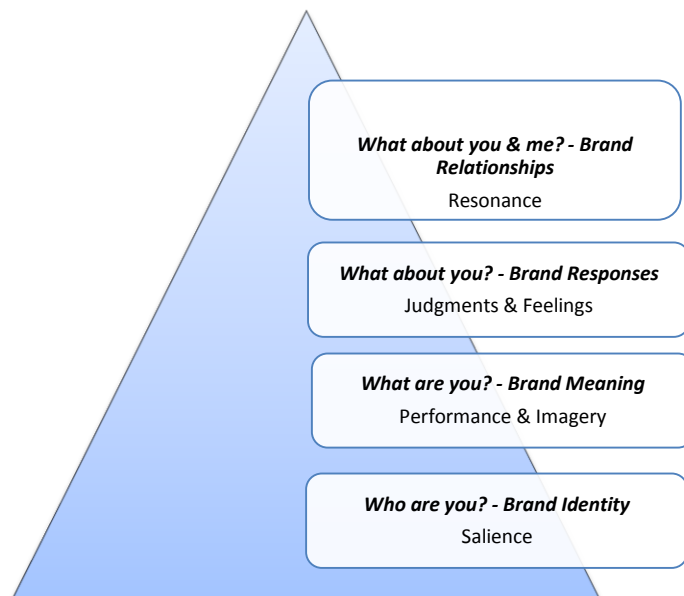


Figure 3. Keller's Brand Equity Model.

Next step should communicate the brand meaning in the minds of customers. The performance states, how well are needs met with the help of product features, quality, service, price and design. The imagery indicates if customers are satisfied on social and psychological level as well. Consumers have always their individual feelings about the brands and they make judgments based on quality, credibility, relevance to their needs and competitors' offers. Companies should think how to improve the brand in order to avoid differences between actual and perceived judgments. Positive responses have a favorable influence on consumer behavior. All brands should want to reach the top of the pyramid – the brand resonance as it states the connection with the brand, which is expected to show in deep brand loyalty. This can be achieved if previous stages meet customers' needs, wants and desires. (Keller 2001: 15-19)

Following steps in marketing process turn the strategy into action. Companies integrate the marketing program and deliver promised value to consumers. This is done with the help of the Marketing Mix, also known as 4P's, which includes Product, Price, Place and Promotion that are used to produce the desired response in the target market. In order to deliver the promised value proposition, the need-satisfying market offering (product) should to be created, the price has to be stated to determine the real value, and place, where the product is made available for consumers needs to be decided. Finally, the offering will be communicated to the target customer with the help of promotion. (Kotler & Armstrong 2012: 12)

Finally most important point should be reached - building profitable customer relationships. This is done through customer relationship management (CRM) and partner relationship management. CRM builds strong relationships with chosen customers by managing detailed information about individual customers to maximize their loyalty and satisfaction. In today's marketing it is essential to work closely with partners from other departments and companies to jointly bring greater value to customers. By creating and delivering superior value, companies have satisfied customers, who stay loyal, which in return generates greater current and future sales, market share and profits. (Kotler & Armstrong 2012: 12-18)

2.2 Consumer Behavior

As explained in the previous chapter, marketing is a business function which defines and anticipates customers' needs and wants in order to create appropriate products. These products are then delivered through pricing, distribution and promotion. People buy and consume products as a solution to problems caused by their unsatisfied needs and wants. Therefore, the consumer behavior is part of a problem-solving process. (Lantos 2015: 4) The definition of consumer behavior varies slightly. It can be seen as consumers' mental, emotional and physical actions to find, purchase, use and divest products/services in order to satisfy their needs and desires. (Kuusik, 2010: 83-117) Marketing professor Philip Kotler has defined consumer buyer behavior as the buying behavior of final consumers - individuals and households that buy goods and services for personal consumption. (Kotler & Armstrong 2012: 135) Blackwell states consumer behavior as activities people undertake, when obtaining, consuming and disposing products and services. (Blythe 2013: 5) Understanding consumer behavior should be first and most important task for any marketer as it helps to make better marketing decisions. Product development, pricing, distribution choices and promotion are all based on thorough knowledge of consumers. (Lantos 2015: 4)

Consumer behavior theory has grown out of several other theories, such as classical utility theory, psychoanalytic theory and learning theory, while most outcomes were based on human psychology. (Kassarjian 1982: 20-22) Consumer decision making was explored already 300 years ago by economists, but the focus was mainly on the act of purchase. Seeing the consumer as a rational thinker, the utility theory was created. (Bray 2008: 2) Today's world with a production overload in most markets, people having free money to spend, but lacking time to search and compare products to maximize utility, has consequently led to highly irrational consumer behavior. Even satisfying theory by Herbert Simon describes people as seeking satisfactory rather than optimum choices (Bray 2008: 4).

Newer researches involved other factors, which might influence consumers, such as consumption activities beyond purchasing. John Dewey developed the five-stage decision process already in 1910. The stages were problem recognition, information search, alternative evaluation, choice (purchase) and outcomes (post-purchase behavior). During the years, the model has been slightly modified, e.g. by adding product consumption and divestment stage. (Bray 2008: 15) Nevertheless, it is still widely accepted and most textbooks use the initial five-stage model as the base for consumer behavior theory.

A question of why all these stages are not always followed may arise. Kotler states that this model works for consumers facing a complex and new purchase decision. For regular, well-known, cheaper products, people usually make more impulsive buying decisions. (Kotler & Armstrong 2012: 152-156) Howard and Sheth, the developers of the theory of buyer behavior, reached the same conclusion by stating that consumer decision making is affected by their knowledge of the products. When the product is unknown, the buyer takes longer time for deciding, while when the product is well-known, the decision taking is easier. (Bray 2008: 16-17) Human nature, needs, motivation and moods vary and they may perceive the situation differently. A regular purchase for one can be more complex and time-consuming for other. (Kuusik 2010: 83-117)

Today's consumer behavior theory is a mix of various theories developed by centuries. Most textbooks cover buying decision process, stimulus-response model and variety of consumer behavior models. There can be as many explanations of the models as there are field experts. The variety of models shows the popularity of the topic and continuous studies indicate that the consumer behavior is constantly developing and cannot be completely understood. To conclude, consumer behavior is dynamic and endlessly shifting due to the changes in the environment, incomes, lifestyles, values and products.

2.2.1 Stimulus-Response Model

It is easy to define what products and how many items were bought, when and in which store was the purchase made. The most difficult question is why the products were purchased in the first place. Kotler has developed a stimulus-response model (Figure 4), where marketing stimuli (4P's) and other stimuli (economic, political, social, technological) enter buyer's "black box". As mentioned in previous chapters, 4P's are used as set of tactical marketing tools, where factors included (product, price, place, promotion) can be controlled by the company to produce desired response in the target market. (Kotler & Armstrong 2012: 135)

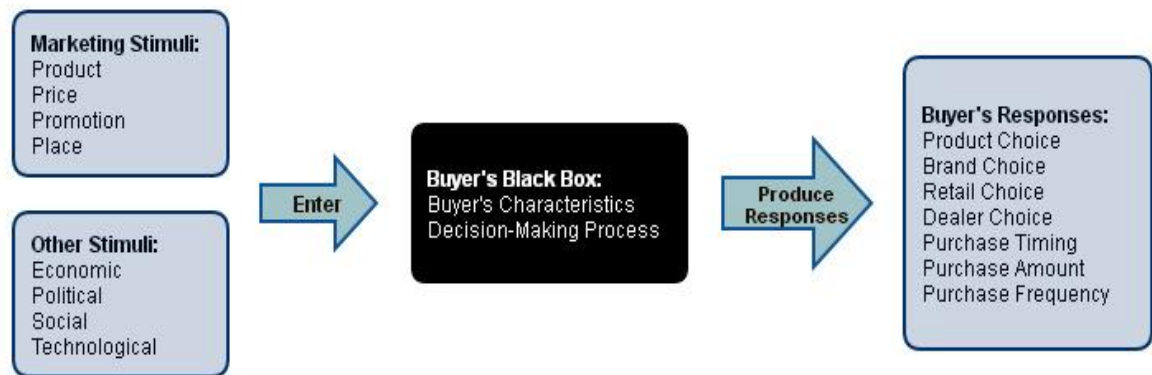


Figure 4. Stimulus-Response Model.

Marketers need to understand buyer's black box, which is made of buyer's characteristics and decision process. When these two factors are studied thoroughly, it becomes easier to understand why the products are purchased. The characteristics of the consumer are the sum of cultural, social, personal and psychological factors. Decision-making process consists of five stages defined earlier – need recognition, information search, evaluation of alternatives, purchase decision, post-purchase behavior and will be explored more thoroughly in the next chapter. Defining buyer's characteristics and decision-making process gives lot of information – how the product, brand, retailer, dealer are chosen and when, how much, how often is purchased. (Kotler & Armstrong 2012: 135)

2.2.2 Consumer Decision Model

There is a variety of models developed to define the consumer behavior. Engel, Kollat and Blackwell developed The Consumer Decision Model (Figure 5) already in 1968. It has been revised several times and the latest updated model is from 2001. The development and adjustments to today's world makes this model reliable and it can be found in variety of recent books. (Bray 2008: 15)

The model states seven stages for consumer decision process - five initial stages (developed by Dewey) – need recognition, search, evaluation of alternatives, purchase and post-purchase evaluation and two additional stages – consumption and divestment. The process is influenced by three groups of factors – individual, environmental and psychological. Individual and environmental factors develop person's lifestyle, which directly affect the purchase decisions – what, where, when and how much is bought. (Bray 2008: 15-17)

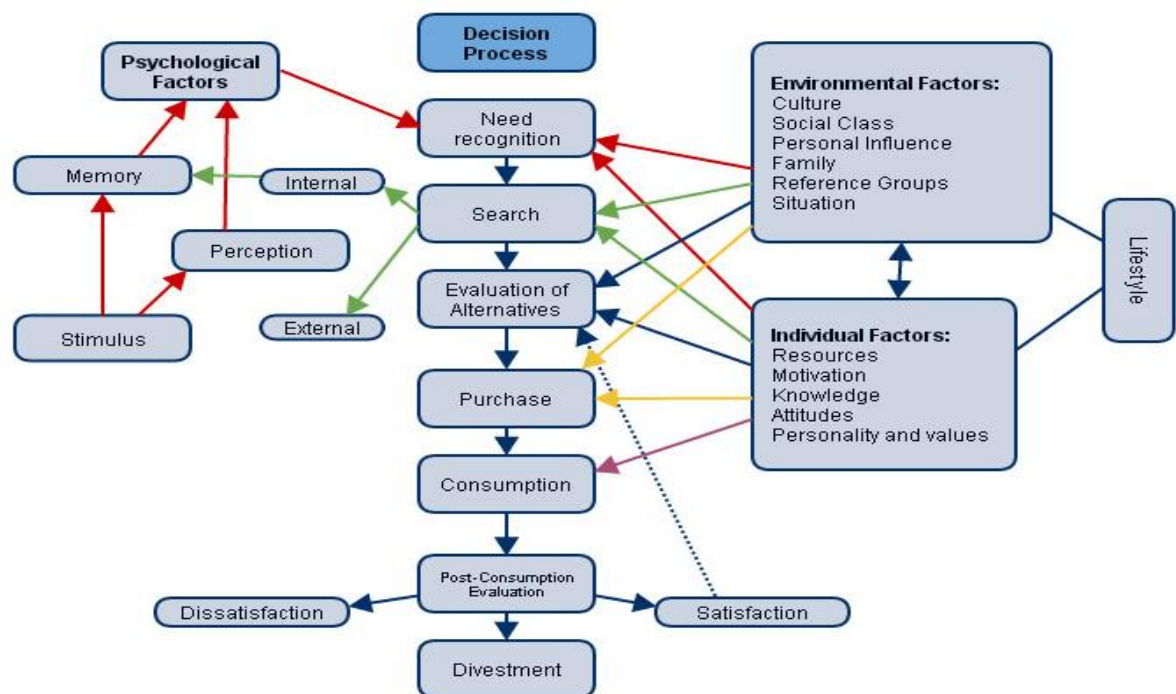


Figure 5. Consumer Decision Model (simplified by author).

The individual factors include consumer resources, motivation, personality, attitudes, knowledge and values. Motivation is the base for all actions; it encourages the person to move towards a certain goal. Motive is the foundation for motivation and it is caused by needs. Motives can be studied through surveys, focus groups and in depth interviews. Personality usually determines how person acts in certain situation. Understanding the personality allows adapting the sales tactics and marketing strategies accordingly. Attitudes represent the feelings and thoughts towards products. Usually there is a positive or negative attitude towards a certain product, which has developed by personal experiences or opinion leaders and is difficult to change. (Kuusik 2010: 83-117)

Cultural	Social	Personal	Psychological
<ul style="list-style-type: none"> • Culture • Subculture • Social class 	<ul style="list-style-type: none"> • Reference groups • Family • Roles and status 	<ul style="list-style-type: none"> • Age • Occupation • Economic situation • Lifestyle • Personality 	<ul style="list-style-type: none"> • Motivation • Perception • Learning • Beliefs & Attitudes

Figure 6. Factors influencing consumer behavior.

The external factors include culture, social class, reference groups, family, personal influence and situation. These are also identified by Kotler, who has stated these factors as cultural and social characteristics (Figure 6). (Kotler & Armstrong 2012: 135)

The culture includes knowledge, beliefs, values, attitudes, ethics, manners and skills acquired as the member of society. Social class gathers people with similar characteristics, e.g. income, education, position, status. Marketers need to understand which social class the product is targeting. Reference groups involve people that can influence person's behavior and attitude. These can be family, friends, celebrities,

professionals etc. Reference groups have more impact when consumer lacks previous experience with the product, the product is exclusive and/or socially visible or when reference group is attractive or powerful. Most purchase decisions are strongly influenced by families (parents, spouse). Situation should not be overlooked either as it has an instant impact on purchase decision. (Kuusik 2010: 83-117)

The need is recognized when a stimulus is received. Our perception tells us which stimulus we will recognize and how we understand it. When the stimulus is received, numerous factors, such as previous experiences through our memories, environmental and individual factors are still influencing our decisions. After recognizing the need, there will be a search for information, which includes external search and internal search through consumers' memories. (Bray 2008: 15-17)

Our purchases can be divided between routine, limited problem solving and extended problem solving purchases. The routine purchases are easy and short as the products are cheap and well-known (e.g. bread, milk). Extended problem solving situations involve expensive purchases, such as luxury products, cars and property, where need for information is high and mostly external search is used. In the situation of limited problem solving purchase, the purchase is in familiar product category, but there could be new brands involved, which require further information search. (Bray 2008: 17) Consumers buying natural cosmetics have to often go through this situation as they are facing new brands. The situation is not as complex as with the extended problem and internal search is usually enough.

Next step is to evaluate possible alternative choices. Biggest factors are the purchase intentions, beliefs and attitudes, which are again highly affected by the environmental and internal factors. Situation has impact at this stage and even greater effect right before the purchase action. Consumers' mood, current financial situation, time pressure, product availability and store atmospherics can instantly affect purchase decision. Situations such as quality of service and product affect post-consumption evaluation and determine whether the purchase will be repeated. (Kuusik 2010: 83-117) These and other situational factors will be discussed further in the next chapter.

After these steps, purchase and consumption can take place. At the stage of divestment, consumers of green cosmetics expect the product to be recyclable. (Ottman 1998: 68)

To conclude, we can see how complex is purchase behavior and how every factor influences another directly or indirectly. For example, personality and values can be influenced by the culture and social class, while our lifestyle can determine which social groups we are involved with. Each step of the decision process is influenced by our lifestyle, memories and previous experiences.

2.3 In-store Factors

Besides the matters covered by general theory and models of consumer behavior, there are additional factors instantly influencing purchase decisions. These include already mentioned situational factors, which occur before and after the purchase, but also variety of in-store details and physical store attributes. The latter factors are often overlooked or unnoticed, while strongly affecting impulse purchases. Therefore, it would be interesting and beneficial to identify these details and their extent in consumer behavior.

In-store experience is strongly attached to the place, which is part of the Marketing Mix and one of the stimuli used in the stimulus-response model (discussed in previous chapters). Place is not just a piece of property, it is a part of the product, offering hedonic (emotional, pleasurable, non-rational) benefits of its own. The design and atmosphere of the store can communicate the product's nature and company's beliefs. (Blythe 2013: 418) Traditional advertising increases product awareness, but not as much as before. The store itself has become the advert, where signs, design, product layout and many other factors influence the decision making.

Kotler was one of the firsts to identify the atmospherics as a marketing tool for retailers. He defined atmospherics as "the effort to design buying environments to

produce specific emotional effects in the buyer that enhance their buying probability”. Subsequently, two types of approaches towards atmospherics have been researched. One is focusing on the factors creating atmospherics – lighting, music, colors, displays, crowding, and other concentrates on atmosphere’s effects on customers. Researchers have found that manipulating atmospheric factors will influence buyers’ feelings and perception towards store’s quality, which will affect time spent in the store, willingness to buy and patronage intentions. (Blythe 2013: 419; Ebster 2011: 115)

2.3.1 Mehrabian-Russell Model

Popular emotion dominated model by Mehrabian-Russell (Figure 7) is often used, when atmospheric features are researched. The model shows how various environmental stimuli create specific emotional feelings – pleasure, arousal, dominance or their opposites, which consequently lead to either approach or avoidance behavior. (Blythe 2013: 186; Bohl 2012: 1)

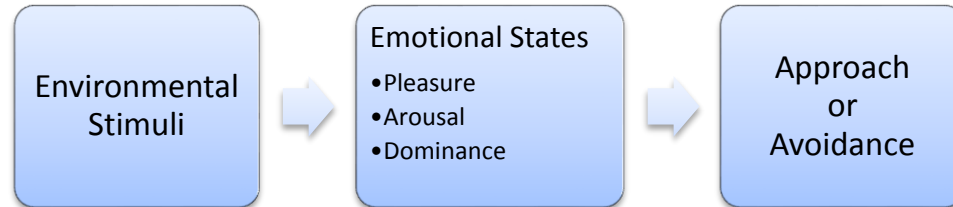


Figure 7. Mehrabian-Russell Model.

Arousal stands for active, excited, stimulated feelings; pleasure for joyful, satisfied feelings and dominance for feeling of un-restrictedness. Pleasure and arousal are often influenced by each other. For example, a neutral level of pleasure and moderate arousal reflect in positive response (approach), while very high or low levels of arousal cause negative response (avoidance). Approach behavior is expressed in longer shopping journey, more money spent and desire to explore the store further or wish to return, while avoidance shows in desire to leave the store, not wanting to return and unwillingness to communicate with the personnel. (Blythe 2013: 186; Bohl 2012: 1-4)

Therefore, the stimuli used in the store needs to be carefully considered to increase the approach behavior in the target customers.

2.3.2 Physical Store Environment

Marketing professor Baker, focusing on store design and atmosphere, has divided the environmental cues between ambient, design and social factors (Figure 8). Ambient factors include for example scents, music and air quality. These factors do not motivate buying decisions in case they stay neutral and simply meet customer's expectations. Extreme levels, such as loud music or delightful fragrance can attract customers. Design factors are either aesthetic (materials, colors, pattern) or functional (layout, signage, comfort). Aesthetic factors are cues that customers see and notice, while functional factors assist customers' behavior. Social factors are influences by human presence – other customers and/or store staff. The size and professionalism of service personnel, but also the number of other buyers influence consumer behavior (for example too crowded stores cause avoidance). (Bohl 2012: 5-7)

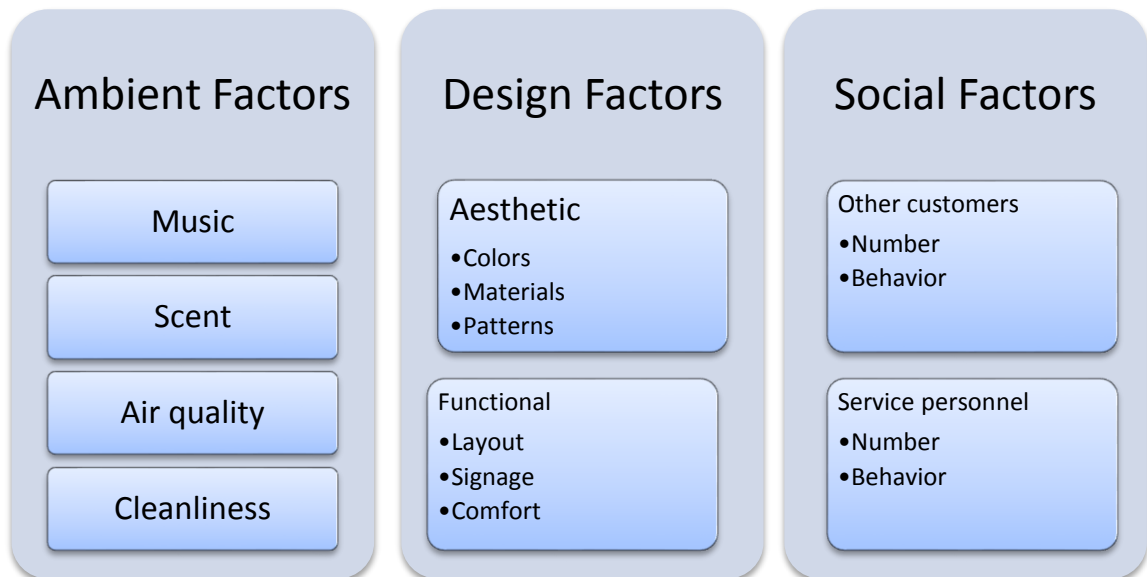


Figure 8. Environmental cues.

The choice of atmospherics is highly dependent on the store, its products and target groups. Music is used to induce specific behavior in the customer - it influences moods and can lead to preferred reactions. Thumb rule is that slow music makes people spend more time in the store. Studies have shown 38% increase in purchase rate by simply switching fast music to slow. Scents can also improve moods and encourage different emotions. For a positive response, the choice of fragrances should have a perceived association with the store type. Usage of colors can communicate the attitude and characteristics of the store and company. In order to gain highest profitability, all the atmospherics need to be in balance and fit the store image. (Bohl 2012: 9; Ebster 2011: 92)

2.3.3 In-store Observations

Today's market researchers are using variety of techniques to explore market trends and customers. In-store observation is one way that has brought surprising results. Paco Underhill has devoted his life for exploring consumer behavior. His company has clients over the world, including well-known corporations, such as Microsoft, McDonald's and Adidas. He has gathered all his findings into a book called "Why We Buy. The Science of Shopping", which analyzes thoroughly purchasing journeys. He shows clearly how and why there is much more than only buyers' beliefs and desires behind purchase decision. Several in-store factors – how clients move, what they see or do not see, what they read, how they react to obstacles etc., are evaluated and explained. There are numerous details that people do not acknowledge, but they feel pleasant if all the elements are in the place. Understanding these features helps to create positive shopping experience and increase sales. (Underhill 2000: 5) Underhill's findings have been used by numerous authors as a base for further investigation of in-store consumer behavior. Marketing professor, researcher and a consultant, Claus Ebster and a respected marketing guru Martin Lindstrom have agreed with many Underhill's significant findings.

Store-keeper's goal should be to create a pleasant atmosphere, where customers feel welcomed. It means understanding the person's journey thoroughly. Often people go shopping for hours or they are with other family members. Either way, a seat would be highly appreciated, but too many stores are ignoring this fact. Underhill states that placing only one seat in a store would increase the sales instantly in most of the stores. Chair is a way of saying "We care about you" and people buy from ones that care about them. (Underhill 2000: 92) Other methods for offering a joyful shopping experience would be to simply pay as much attention to customers as possible. This attitude helps to prolong the customer's stay in the store. A positive correlation between time spent in the store and purchase likelihood has been noticed. (Ebster 2011: 117; Quelch & Cannon-Bonventre 1983: 20; Underhill 2000: 113)

The customer needs to have both hands free to be able to try the products. Stores should think of where visitors could place their jackets, bags, purchases etc. Consumers entering a cosmetics store do not think they are going to buy lots of items, therefore they do not feel the need for a shopping basket. At the moment, when customer has already found items to buy, a store clerk should offer a basket. People appreciate the fact that someone has noticed them and want to help. As baskets are often overlooked, it would be useful to scatter them throughout the store instead of placing them at the entrance. It has been noticed that usage of the basket also increases the number of purchased items. (Ebster 2011: 62; Underhill 2000: 54)

The reason behind people not noticing shopping baskets or any other items or products at the entrance is so called "twilight zone". It is right beyond the entrance, where people are adjusting with the environment, sounds, lighting, colors, signs etc. The area should be used to attract the customers and not for important information or high-margin products. Women like to first check their look before starting to search for products, therefore there should be mirrors close to the entrance. The number of mirrors should be even greater in cosmetics and body care stores. Reflective surfaces and soft floors (covered with carpets) are generally good ways of slowing people down and making them notice products. (Ebster 2011: 60; Underhill 2000: 42)

As most visitors for beauty stores are women, it should be considered that women feel uncomfortable in narrow aisles, where is not enough space for passing the other person or to read about the products. It is considered so unpleasant that the journey might be cancelled and person leaves the store. Women like to familiarize themselves about the product before the purchase - 63% of the buyers read at least one label. There should be enough space between aisles for passing others, moving with a pram or for reading. It is also beneficial to place most needed products in the back of the store as that requires the customers to pass the store twice, which may lead to noticing other products. Another way of inviting people to move towards the back of the store is to design the back wall effectively; it could be done graphically or with videos. (Davies & Tilley 2004: 10-13; Underhill 2000: 12)

Customers' movement in the store is generally the same – people tend to head rightward and move counterclockwise, while looking in front of them. Therefore, the end of aisle layout is most profitable as it is easily noticed. Natural beauty stores have fewer products than supermarkets and they could try out a highly profitable layout called "chevroning", where shelves are positioned at a 45° angle to attract more buyers. It takes more store place, but the products are noticed easily and it works especially well for cosmetics, where consumers want to read about the items. Since people rarely stop in front of signs or display windows, the same rule applies – to allow people to notice them, everything should be placed under an angle and have enough lighting. Moreover, signs and informative texts should not be just placed out, but the location, size, height etc. needs to be calculated from consumer's viewpoint. Unless the product is particularly searched for, people see only things that are above knee level, but not much higher from eye level. Easy to change, but few store managers have the knowledge to do so. (Davies & Tilley 2004: 10-13; Underhill 2000: 82)

Samples are essential in cosmetics and body care stores. People are very sensitive with aromas and women can be especially picky towards the texture and colors of cosmetics. It should be normal to be able to try the product before purchase, even better if some privacy can be felt while trying. Almost all impulsive purchases are the results of touching, feeling, tasting, smelling and hearing. Still there are companies

that find it too costly to provide samples. That leads to terminated purchase journey or trial of the products that are for sale (which no one wants to buy after seeing that it has been already opened). Trying often leads to purchase and more innovative producers should offer small sample sets for sale that people could try the products at home as well. (Underhill 2000: 95)

Body care industry is mostly focusing on women and their needs. While men would be interested as well, their needs and behavior tends to be ignored. The product lines for men are growing, but these are usually placed in entirely feminine atmosphere, between lipsticks and mascaras. If we know something about men's behavior in the stores, it is that they like to go straight to the product and buy it. They do not want to scan through the whole store of women's products. Therefore, there is a demand for men's body care products, but there should be a clearly separated area for these products. (Underhill 2000: 119)

Observations over shelf displays have showed that disorganized shelves for ingestible products create disgust amongst customers and may decrease sales. It does not apply for non-ingestible products, where disorganized shelves with limited quantity of products (especially with unfamiliar brands) can create even interest and increase sales. (Castro, Morales & Nowlis 2013: 118-133; Davies & Tilley 2004: 10-13)

3 Research Methods

3.1 Research Objectives

Research is a systematic and objective investigation of a problem (Smith & Albaum 2010: 4). Research objectives are developed from the research issue. Current research is studying the factors influencing consumer behavior and more precisely trying to understand and identify:

- the market situation and trends of natural cosmetics in the world and more precisely in Estonia;
- the consumer type for natural beauty products, their characteristics and attitudes/beliefs towards the products in Estonia;
- the in-store factors and their extent in influencing natural beauty products consumers' purchase decisions;
- the differences in market trends and consumer types in Estonia compared to world trends and consumer types.

3.2 Research Approach

Research methods are most commonly divided between inductive and deductive methods. Inductive research bases its findings on hypotheses and observations, which then creates theoretical knowledge. The deductive research works the opposite way to inductive. The method is based on logic and initiated by theory. To test it, more specific hypotheses are developed and examined with the help of observations. The researcher can then either accept or reject the theories. Inductive approaches are usually associated with the qualitative type of research, while deductive is linked with quantitative. (Ang 2014: 43; Ghauri & Grønhaug 2005: 14) Current research uses deductive method as the research is built on theoretical findings and studied further with the help of observations.

3.3 Research Methodology

Research methodology represents the strategy and approach chosen to answer the research questions. It focuses on the research process and states the tools that are planned to be used. (Ang 2014: 45) Research design indicates the framework for data collection and its analysis. The choice of it should allow solving the problem in its best way, while considering the limits (time, budget, skills) of the researcher. Three main types of research can be indicated – exploratory, descriptive and causal. While exploratory research is flexible and used for unstructured and badly understood problems, descriptive and causal researches are used to answer structured and well acknowledged questions. Causal research is similar to descriptive, but observing the cause-effect problems. (Ghauri & Grønhaug 2005: 58) Current research uses first an exploratory approach to get an insight of consumer attitudes and feelings with the help of interviews. Afterwards, a descriptive type is applied in order to understand specific relationships and draw conclusions based on larger population.

The data collection and analysis methods can be qualitative, quantitative or mixed. The chosen method should be most suitable for addressing the research problem and purpose. Quantitative research is looking at the behavioral patterns through large quantity of data and employs measurements. Qualitative research uses small number of individuals, while being more exploratory as behaviors are observed and linked to found theory. It is suitable for studying individual's behavior, but also researcher's skills are more important in order to receive valid and reliable information. Mixed methods, as the name indicates, use both qualitative and quantitative research methods to draw conclusions and take the best of each method. It adds more reliability in case the results of one of the methods should be inadequate and gives a complete understanding of the research problem. (Ang 2014: 67; Ghauri & Grønhaug 2005: 109) Current research uses mixed methods as in-depth interviews (qualitative method) are conducted first to get a more specific idea of the problem. It then allows to have precise questions for a survey and an observation (quantitative method), which consequently leads to more accurate conclusions.

Both primary and secondary data sources are used. Secondary data is collected by third parties for another reason and helps to explain current research problem. In terms of present paper, the secondary data is gathered from international reports in order to gain information about general trends and market situation towards natural beauty products. Primary data is collected by author for the specific research purpose. It is done with the help of a survey, in-depth interviews and observations and gives essential information about the specific demographics, attitudes and buying behaviors which is not available as secondary data. Questions for primary data collection will be derived from secondary data. This will eventually allow us to evaluate the accuracy of secondary data and compare the results with market situation in Estonia. It is necessary as secondary data gives useful insights, but reports can be biased and exaggerated to impress the customers. (Ghuri & Grønhaug 2005: 91-104)

3.3.1 In-depth Interviews

Interviews are flexible methods and appropriate for qualitative studies, but need more resources than surveys. In order to get details of individual's feelings and attitudes towards natural beauty products and the local store environment, it is useful to first run couple of personal in-depth interviews. These are conducted right after the interviewee has visited the store and all should be run in the same way that the variations in data collection would be minimal. The interviewees are asked to visit a recently opened and only store in Estonia selling exclusively local natural beauty products. The interview is conducted in an unstructured form to gain as much information as possible, meaning that a topic list is prepared, but questions are developed according to the respondent's comments and gained information. (Ghuri & Grønhaug 2005: 131-133) The results should give more accurate picture of attitudes and answer questions that would be difficult to get with a survey.

3.3.2 Survey

Survey is a method of data collection using questionnaires to record behavior of respondents. More precisely, a descriptive survey will be developed as the focus is on particular characteristics of specific population on a fixed moment. This kind of survey is often used to describe the consumer attitudes towards specific products. (Ghauri & Grønhaug 2005: 124-131) In order to discover the consumer type for green cosmetics, we should first try to identify their characteristics. The questionnaire (Appendix 1) can distinguish the basic characteristics of the responder, such as gender, occupancy, education, income level and age, while also discovering their beliefs and attitudes towards the products.

Online survey is used as it is the most popular way of gathering quantitative data nowadays. It is also cheap, has high response rate, interviewer does not affect the answerer and responder has enough anonymity and comfort. Recent years have eased the conduction of online surveys. There is a simple option of creating surveys through online software. Rapid development of social media allows sharing survey links. More traditional option of sending the survey via e-mails can be also used. Most convenient would be to send the link of an online survey. That option looks more professional, is easier to follow and answers are automatically directed to the researcher. (Ghauri & Grønhaug 2005: 124-131; Malhotra 2010: 112)

Semi-structured questionnaire (open- and close-ended questions) is used. Most of the questions are structured to limit the variations in the answers and avoid more complex data analysis. This is done with close-ended questions and rating scales questions. As the survey is focusing on understanding attitudes and behavior towards natural products, then scaling is highly appropriate. This method is especially used for attitude surveys to define the positive-negative tendency towards the object. (Malhotra 2010: 121) To ensure that respondents would actually evaluate their feelings and answer the questions, forced scales are used. Therefore, they need to clarify their opinion instead of staying neutral. The questionnaire itself is divided into four parts, providing

information about demographics, attitudes towards natural beauty products, previous purchases and feelings towards store atmospherics.

As online survey is self-administered, then the interviewer cannot bias the results, but there is also no one to explain the questions further. Biggest obstacle with online surveys is the fact that people do not read the instructions and/or questions through as they are likely to move quickly forward. Therefore, the questionnaire needs to be explicitly clear, well-designed and attractive, while motivating enough to complete all the questions. (Ghauri & Grønhaug 2005: 124-131; Perner 2010) As a reward usually encourages people to respond, a gift set of beauty products is drawn within all the respondents, who leave their e-mail address.

Population of interest for current survey would be all the consumers in Estonia, who have used natural beauty products within the last year. It would be the total group of people that should be examined. Due to limiting resources, a sample (sub-group of the population of interest) is used. Choosing the right sample is a complex choice and should meet research objectives to ensure as accurate results as possible.

Sampling methods are divided between probability and non-probability methods. Samples for online surveys are usually found through convenience sampling method. It is one of the non-probability sampling techniques, where subjects are selected because of their convenient accessibility to the researcher. The criticism towards the method states that the respondents on the Internet would not represent the general population as not all have access to Internet. Other shortcoming mentioned is the unreliable sample frame of e-mail addresses as there is no database for these. (Malhotra 2010: 141) As the current survey will be run in Estonia, we can state that around 82% of households in Estonia have Internet connection at home and the number is constantly growing. (Statistics Estonia 2014) Popularity of social media can be used, to ensure enough responses and minimize the risk of people not reading/ receiving their e-mails. Therefore, the results of online survey should be still accurate and not affected by the chosen method.

Analyses of quantitative data involve coding (numerating) the responses into a proper form, entering, tabulating and statistically analyzing the data. The online survey responses are automatically gathered, which simplifies the procedure. The results will then be highlighted with the help of charts and figures. (Ghauri & Grønhaug 2005: 211)

3.3.3 Observation

Observations are usually used to listen and watch people's behavior in order to learn and capture dynamics of social behavior in a way that is not possible with questionnaires and interviews. The author has chosen for current research to observe objects instead of people. With a non-participant method, the natural setting is being examined. In order to not influence any factors, it is done without getting involved and under disguise. The observation is conducted in a structured way as an identical observation sheet (Appendix 2) is filled about every store visited. The purpose is to evaluate the in-store factors and atmospherics of natural beauty stores in Estonia. The selection of the objects is made based on the store's popularity and representativeness. The results should give an overview of the situation in the market, positioning strategies, level of service and convenience of the shopping experience, while revealing the most and least customer-oriented stores.

4 Findings and Analysis

4.1 World Trends of Organic Beauty Products

Organic Monitor has compiled several reports to give an overview of market trends in Europe towards personal care products and natural cosmetics. Fastest growing markets for natural cosmetics in Europe are France, Germany and Italy. The reports from 2006 to 2010 state a healthy growth rate for natural cosmetics market in Europe due to a great demand for “chemically clean” products and increasing distribution. During 2003-2008, organic cosmetic market was growing annually around 9%. From 2009 the market was still growing in Europe, but with a slower rate as consumers were becoming more price sensitive and there were numerous new entrants. (Organic Monitor 2010) Even though the demand remains high, economics have an influence on the market growth and the report from 2011 showed a slowdown in sales of organic cosmetics due to the economic situation. (Organic Monitor 2011)

Consumers are mostly concerned about their health and the effect of synthetic chemicals in the beauty products. They would like to purchase more natural products, but there remains confusion over labels with different eco certificates and variety of logos. It can be overwhelming to study all these terms and logos, therefore consumers are looking for more transparent marketing. (Organic Monitor 2011) Brands that are committed socially and environmentally are valued and more information is searched to know the ingredients and company’s policies. (Mason 2009: 8-12)

Organic Monitor’s first report of Central & Eastern European natural cosmetics market was published in 2013 and showed high growth for the market due to increasing consumer awareness. People are starting to realize what the ingredients of traditional cosmetics are and how these harm human body. As in the rest of Europe, organic products are widely available through variety of distribution channels. (Organic Monitor 2013)

The key term to be focused on should be distribution. Natural beauty products can be found in various places, such as organic stores, pharmacies, supermarkets, department stores, spas, concept and specialty stores, online stores etc. We used to see green products mostly in so called organic stores, while now we can find them in all biggest supermarkets. Small specialty stores are always easier to approach and can be first stop for newcomers expanding in Europe. Small demand from these stores is not always enough, therefore to really expand the product presence, cooperation with bigger distributors is needed. Many producers have chosen to place their products at mainstream retailers and gained from increased sales. As it is often difficult to reach an agreement with them, online stores have shown a rapid growth and most of the brands are starting off with it. Bigger brands in Europe, such as Weleda and Dr. Hauschka are also opening concept stores. (Organic Monitor 2006)

Whole Foods made the organic products more credible and believable for the mainstream by stocking the products on its shelves. It was suddenly normal to find natural products at mass retailers. Diane Hintz from Organic Beauty magazine said that demand for natural beauty products can be most important thing impacting the beauty industry in its history as the demand will create growth opportunity for retailers and online stores. For some brands, like Noah's Naturals, launching their products at mass retailers is beneficial way of reaching millions of customers. It can be difficult for niche brands to compete in this environment due to numerous other brands. Luckily, there are plenty of other options for distribution – brands can use specialist retailers or niche channels (direct marketing, spas, concept stores) instead of mass outlets. (Mason 2009: 8-12)

Consumers prefer mid-range and private label natural products rather than luxury ones as these are cheaper. This gives an advantage to bigger companies as they can make lower offers. Brands need to come up with new ways of creating value. Many do it by creating a unique brand story. (Mason 2009: 8-12) Marketers should be aware of the actions from new entrants, who see the demand for organic products and are rapidly launching new brands or green product lines. (Organic Monitor 2011)

Journal called Critical Studies in Fashion and Beauty has used qualitative research method to explore consumer behavior and awareness towards green beauty products. The results showed a low understanding of the differences in labels and eco-certificates. Findings also stated that the reason for purchasing eco-products does not stand behind the idea of protecting the environment, but has to do with personal well-being and choosing a healthy product for oneself. For North Americans, consuming natural and green products is a way of self-expression, while Europeans feel it shows their status in an outstanding way. (Cervellon & Carey 2011)

A research and branding firm, The Benchmarking Company (TBC) is exclusively focusing on the beauty industry and has published a detailed report called "The Age of Naturals". It gives an overview of natural/organic products' market in US by exploring women's preferences in a wide scale online survey form and focusing on traditional beauty product buyers' behavior. (Falk 2008)

The socioeconomic breakdown (Figure 9) of the report compares traditional beauty buyers with consumers buying natural products. The results showed that slightly bigger number of natural beauty buyers are employed and have more stressful job, but their income level and education degree is also higher. We can see that natural cosmetics buyers are more devoted to their career and care about their health and look. (Beyer 2008: 4-8)

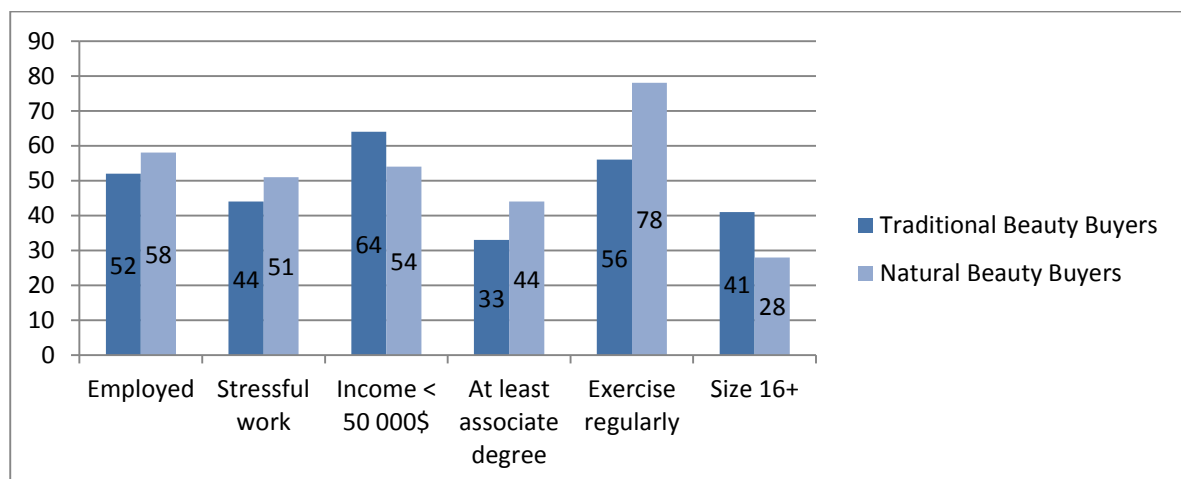


Figure 9. Socioeconomic Breakdown.

The psychological breakdown (Figure 10) of the report indicated that natural beauty buyers are more spiritual. They show higher belief in the connectedness of mind and body and holistic medicine, they also meditate regularly. Therefore, organic beauty buyers are more involved with the activities that are good for body, mind and spirit. 74% of traditional beauty buyers do not make difference in natural and organic products, and 54% of those do not care to know as it is not part of their lifestyle. 61% of all women state that it is difficult to make difference between traditional and natural beauty products. Natural cosmetics buyers tend to have much higher expectations for product efficacy. Clearly, consumers preferring organic cosmetics want the products to be free of harmful chemicals. 54% of natural buyers agreed that organic products work as well as traditional. Only 19% of traditional product buyers believed that natural products perform as well as traditional products, but they were curious to try it out. (Beyer 2008: 4-8) Marketing research consultancy company SKIM also sees a problem of efficiency towards natural products as green products are perceived less effective and cannot always offer as many features and/or colors for the cosmetics as synthetic cosmetic products can. (Sharma & Garrison 2014: 46-49)

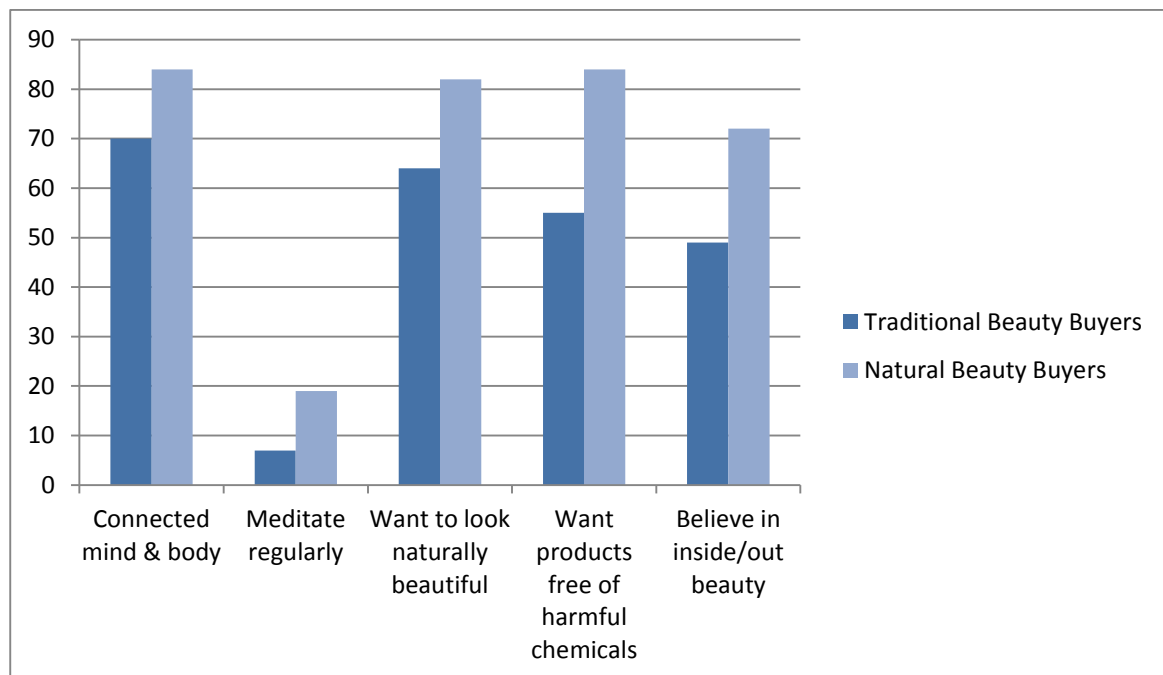


Figure 10. Psychological Breakdown.

The report showed positive results towards organic products - even though traditional beauty buyers lacked knowledge in the field, they were still ready to try the products and just needed a bit of guidance between varieties of brands. Therefore, if they would have a pleasant in-store experience, where seller would explain the differences and benefits of organic beauty products, they would likely try the product.

Curiosity and fear would be main reasons for traditional buyers to switch for natural cosmetics. There has been a lot of talk around benefits of these products, the ingredients seem interesting and our logic tells us that natural products need to be good for our bodies. Fear of ingredients is felt to be strongest in the beauty industry as people are increasingly worried about influence of chemicals (especially parabens, silicone, artificial fragrances) on their bodies and health. (Beyer 2008: 4-8)

The TBC's report also explored the usage of language on natural product labels. It was found that clear and soothing wording explaining product's benefits is preferred, while scientific and statistic statements on labels were perceived as unreliable. It was even found that 90% of traditional beauty buyers might or would definitely try organic beauty brand with the USDA Organic Seal certificate. Already certified brands show advantage over other brands. (Beyer 2008: 4-8) SKIM agrees that the message on the labels should be kept short. Companies should bring attention to usage of natural ingredients and/or build a strong, clear image without forgetting to emphasize the product benefits. (Sharma & Garrison 2014: 46-49)

Most consumers like the concept of green products, but it does not always lead to a purchase decision. Even though people like to think they care about the planet, self-interest still comes first. Marketers have found that highlighting product's benefits is more effective than focusing only on the green features. In a short moment marketers need to be able to communicate the environmental aspect of the product and also its benefits for usage. Consumers' contribution into the environment is often left unclear which leads to general distrust towards green marketing. Despite that, there is a strong and growing market for environmentally friendly products as third of consumers

want to find claims supporting the planet from the products' labels. (Sharma & Garrison 2014: 46-49) When exploring women's desires towards future developments, they wished the natural products to be cheaper and easier to find. They also hoped for samples and gift sets and wanted to see complimentary products for all body parts. (Falk 2008)

4.2 Trends of Organic Beauty Products in Estonia

Highlights of the market trends towards beauty and personal care in Estonia can be found from the Euromonitor's report. Estonian consumers have recovered from the last recession and spending more again, but the cautiousness remains. For a higher price, a better quality is expected and consumers are starting to prefer more skin- and environment-friendly products. Media is supporting consumers' awareness and warning for artificial ingredients. This has led to companies offering more natural product lines to boost their sales. Nevertheless, green products are still perceived as more expensive and less effective. (Euromonitor 2014)

Consumers are looking for more convenience and prefer multifunctional products to avoid the need for variety of different products. Companies have launched more multipurpose products, but again the price is limiting the purchase decision. The consumer behavior shows price sensitivity and that is the reason, why well-known brands are preferred as they can offer bigger discounts. Online stores are gaining more importance in retailing and are often the first choice for new brands to reach the audience as it eases the distribution and decreases the costs. Supermarkets are the most preferred distribution channels as they can offer a wide variety of products with a reasonable price. Independent consumers, who know what they are looking for, use more online stores, while others prefer physical stores that offer consultations and instant hold of the product. The report sees a growth in current trends and consumption if enough effective and natural products are provided. (Euromonitor 2014)

When comparing foreign and local natural cosmetics' prices, it is clear that Estonian brands can be even three times cheaper. One of the reasons is the fact that organic products are increasingly valued over the world. Package, transport and brand's name allow setting a higher price. Local products have often even richer ingredients, but the prices are kept lower at the beginning to reach more consumers as there can be strong skepticism towards unknown natural brands. (Sohvy Blogi 2013)

Last years have shown a rapid growth in Estonian cosmetics industry. Even though most brands in the stores are still foreign, Estonian brands are strongly building their way up. There are already more than 30 companies producing cosmetics. Most of them are focusing on natural beauty products, which is the only growing trend in the cosmetics industry. Companies are trying to use as many local ingredients as possible. The variety of products offered should already satisfy the needs of most demanding customer. Estonian brands are considered as most trustful. (Velsker 2015)

4.3 General Feelings towards Natural Beauty Products

Conducted survey for current research brought answers from 70 respondents and all questionnaires were fully completed. The results allow highlighting the characteristics of the consumers using natural beauty products (Appendix 3). Even though the sample was based on whether the person had purchased natural beauty products from Estonia within the last year, most respondents were still women (98%). We can see that the beauty industry is determined to be women's field, but the reason could also stand behind men's general behavior. They tend to avoid topics about beauty products, deny the need for these and are mostly using the products that women bought for them. The biggest age groups for respondents were 25-30 (40%) and 31-40 (25%). 40% of the respondents have a monthly net income between 751-1050 Euros, which is also the average salary in Estonia. Most respondents had Bachelor's (35%), Master's (21%), Secondary (19%) or Vocational (19%) degree.

Natural beauty products are usually not every day necessities and in these cases we can observe consumers wants towards these products. Surely, if the products are used to protect their health (due to allergies etc.), there is a need for safety and security according to Maslow's Hierarchy. Survey results show that natural beauty products are mostly purchased due to the general concern of how chemicals affect body (90%) (Figure 11). Other main reasons were that the products are anti-allergic (50%) and people are concerned about their health (40%). Concern about the environment and fact that the products have not been tested on animals were also drivers for choosing these products.

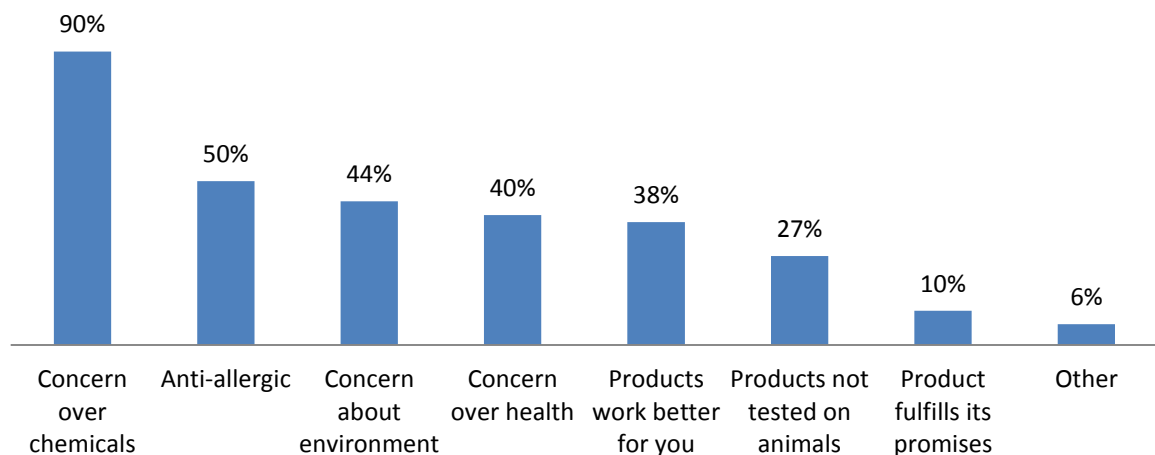


Figure 11. Reasons for using natural beauty products.

The interviews revealed similar reasons as there is a general concern over health and people prefer natural products to avoid any future problems. The environmental aspect appeared only after specifically asking about it. The respondents then stated the importance of environmentally friendly companies and recyclable packages, but it was not their primary concern. Therefore the reasons and needs are the same as were found by Organic Monitor, SKIM, Cervellon and Carey.

As a general confusion over labels and certificates was found in previous studies, these were observed in current research as well. The interviewees agreed that there are too many different certificates and it is difficult to remember all. They would like to have the certificates stated clearly on the store shelves to avoid the tiny text on the

products. The overall knowledge about these was rather moderate as they knew some, but not all. Local certificates would be preferred if these could be clearly stated. The same issue was with product labels as it would be much more convenient to see the ingredients on a bigger board or have completely natural product clearly separated. According to the survey, eco certificates were found to be “rather unclear” or “not clear at all” for 56% of the respondents, while 44% seemed to be aware about these (Figure 12).

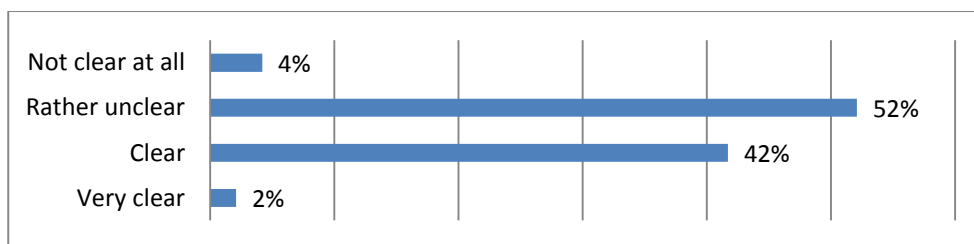


Figure 12. Understanding of differences between eco-certificates.

Nevertheless, availability of eco certificates affects the purchase decision of 58% respondents (Figure 13). Therefore, the number is not as remarkable as in TBC report (90%), but the factor definitely has its influence.

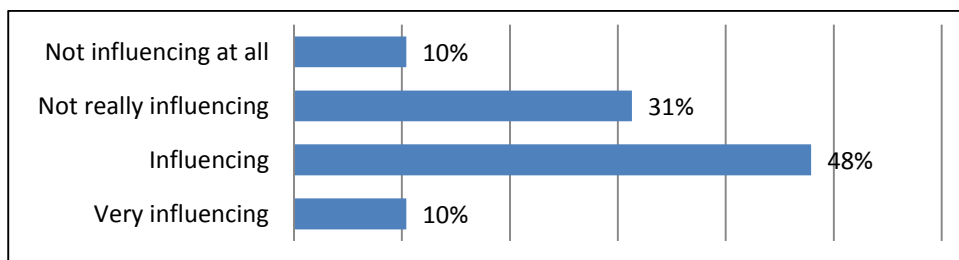


Figure 13. Influence of eco-certificates on products.

Consumers, who prefer Estonian production (71%), do it to support local economy and entrepreneurs. They also find the products to be cheaper. The most popular reasons can be found on Figure 14. Previous findings from articles stated the same reasons for using local products – cheaper price and trustful brands. The consumer preference

towards foreign natural products was mainly due to the larger product variety and loyalty towards a certain brand. For others the producer did not make much of a difference. General popularity in society towards eco products has not been marked as an important factor according to survey results, but it can affect consumers unconsciously. Therefore, it is still questionable if natural products are consumed to satisfy esteem and self-actualization needs as well.



Figure 14. Reasons for using local natural beauty products.

According to the survey results, natural beauty products are perceived more expensive (73%) and with a smaller product variety (65%) than traditional beauty products (Figure 15). Nevertheless, they are still believed to give better results (63%) or at least as good results as traditional cosmetics (38%).

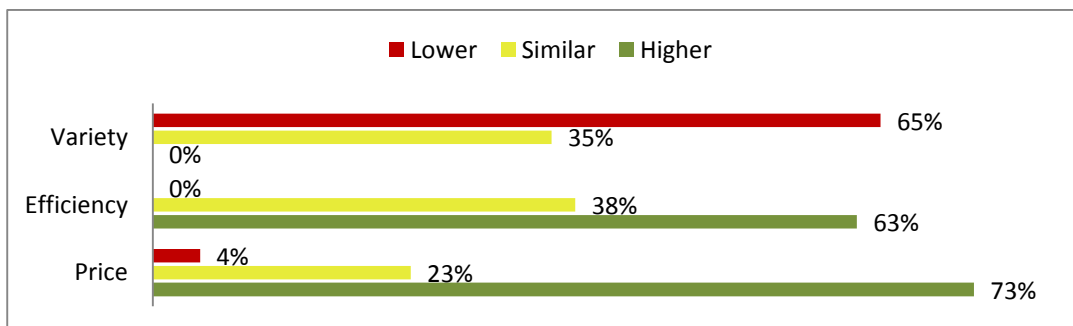


Figure 15. Comparison of natural beauty products to traditional.

The interviews gave almost the same results. Additionally, it is felt that natural products are better in longer consumption as the efficiency shows in time. Also, the product variety in a visited store was surprisingly rich (especially for cosmetics) and all interviewees found several products that they would like to try. The higher price would be acceptable as the quality for natural products would be also higher. These results differ from the reports of TBC, SKIM and Euromonitor as in these natural products were perceived less efficient. Therefore, we can see that the products have improved their image in Estonia and people are satisfied with the results.

4.4 Consumer Behavior towards Natural Beauty Products

The interviews and questionnaire tried to study the purchase journey of the consumers in order to understand, which steps are taken and how complex the process is for buyers. The interviewees stated that they usually have an idea of, what they need, but they do not spend significant time on calculating the need or looking for additional information. Usually, more weighting is done for costly cosmetic purchases, such as over 25 Euros. Most of the evaluation between products is done in the store and sometimes with the help of the seller. The survey results state that 65% of respondents do look for additional information prior the purchase and 75% evaluate the alternative options. (Appendix 4) It shows that the purchase is more complex and costly for the buyers, there is a great variety of products and consumers wish to find the best option.

Over half of the respondents buy natural beauty products quarterly and 23% buys more often than that. As most products bought are in a price range of 11-15 Euros (44%) or 16-20 Euros (25%), it shows that slightly more expensive mid-range products are preferred. (Appendix 4) That could be the reason, why 69% of the purchases are also planned. It can be seen that the post-consumption evaluation applies for the consumers as all the respondents are affected by their previous experiences with the product. While searching about the product, they use their previous knowledge and 77% of the respondents are "strongly influenced" and 23%

“influenced” by it. Their experiences with the store are not that significant, but still influencing around half of the respondents. (Figure 16)

The theory of Consumer Decision Model (discussed in paragraph 2.2.2) shows, how environmental, individual and psychological factors affect our purchase decision. These were also studied through the interviews and surveys, and results show, which elements affect the consumers most (Figure 16). Recommendation from friends or family members has a strong impact as 35% of respondents find it “influencing” and 31% “very influencing”. People seem to follow online reviews as it influences all together 68% of the respondents. Celebrities using the product do not have such impact as 50% of respondents found it “not influencing at all” and 31% found it simply “not influencing”.

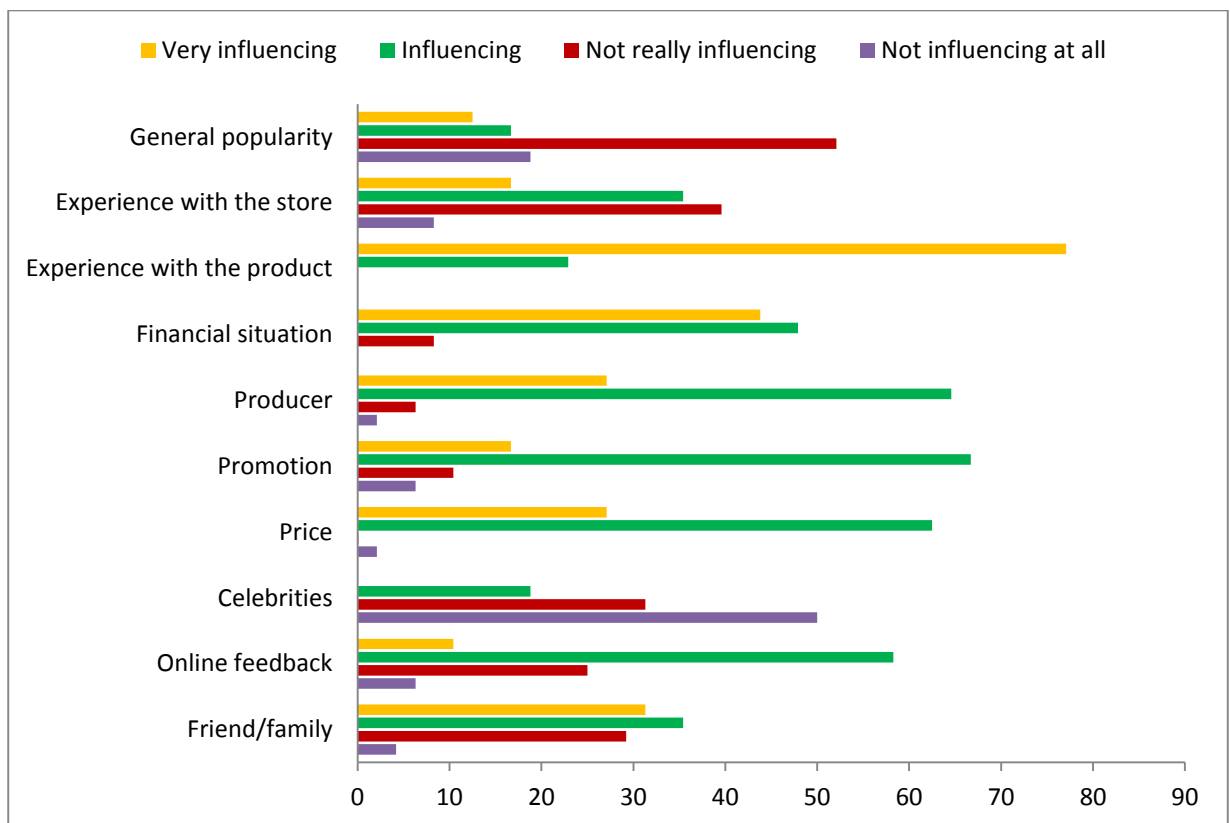


Figure 16. Factors influencing purchase decisions.

The interviewees stated that they like to use the product they already found good and would only change if someone recommends another one. Some importance would be also on product testing seen on magazines or TV, but most influential would be still personal recommendation by a trusted friend. The current situation, especially the financial situation is also impacting the decision as it is either “very influencing” (44%) or “influencing” (48%) for the respondents. It can be assumed that therefore the product price and promotional offers have weight. For both questions, the majority feels the factor to be “influencing”. Same results were found in the report of Euromonitor as Estonian consumers are rather price sensitive.

4.5 Consumer Perception towards Brands

In order to learn about brand awareness, three local and three foreign brands were studied. For Estonian, Joik, Lumi, Orto/Puhas Loodus and for foreign, Dr. Hauschka, Weleda and The Body Shop were evaluated. These are most commonly sold brands in Estonia. All of these have established their image on the market through years and claim to use natural ingredients.

Orto was established already more than 80 years ago and their production includes body care, cleaning, gardening and other products. They developed a new product line called Puhas Loodus (Pure Nature) in 1998. It is free of chemical ingredients such as parabens, mineral oils and silicones and focuses on using local herbs. They promise to bring well-being through their decades of experience and natural extracts.

Joik was established in 2005 to bring variety to scent candle market and produce only natural soy wax candles. It has now expanded its product assortment and offers all kinds of beauty and body care products by using ancient knowledge in a modern way. All the products use high quality ingredients and there is a separate product line with 100% natural ingredients only. Joik stands out by its successful international distribution as in addition to online store, the products can be found from shops over the world.

Lumi is the most recent brand, but has already established its position in the market. All their products are based on local hemp seed oil. The company was developed in cooperation with University of Tartu and therefore had all the technological access to create the best combination in products. Most of the ingredients have an eco-certificate and chemicals such as parabens, mineral oils, silicones have not been used. Additional Lumiderm product line is dermatologically tested, suits for most sensitive skins and can be found in the pharmacies.

Weleda and Dr. Hauschka were established already at the beginning of 20th Century and do not use any synthetic ingredients in their products, instead natural plants and oils are used. Both hold various certificates for products and ingredients. These can be found in variety of eco and department stores over Estonia, also in pharmacies and online stores. The Body Shop was founded in 1976, but belongs to L'Oréal since 2006. It is known over the world by its herbal and rich product lines and ethical business. It can be arguable whether The Body Shop is really producing natural beauty products as the ingredients are not completely chemical free, but they claim to have 100% vegetarian products and no animal testing.

Followed by Keller's Brand Equity Model (discussed in 2.1), different steps of branding were evaluated with the help of respondents and interviewees. Brand identity and response were defined by asking respondents' likelihood to purchase each brand (Figure 17). Only Orto/Puhas Loodus brand was known by all respondents. Most unknown brand was Lumi, which is also the newest amongst others. Negative feelings were strongest about The Body Shop and Puhas Loodus. 10% "definitely wouldn't buy" The Body Shop and 21% "probably wouldn't buy" it. 6% chose that they "definitely wouldn't buy" Puhas Loodus and 25% would rather not buy, which gives a total score of 31% for both brands' negative responses. Most positive feelings were towards local brands – 56% "would definitely buy" Joik and 46% "would probably buy" Lumi brand products. Total positive rating for Joik was 89% and 67% for Lumi. Most controversial ratings were given to Puhas Loodus as 69% would still buy this brand. Overall feelings towards the brands were positive as people chose to purchase these rather than not.

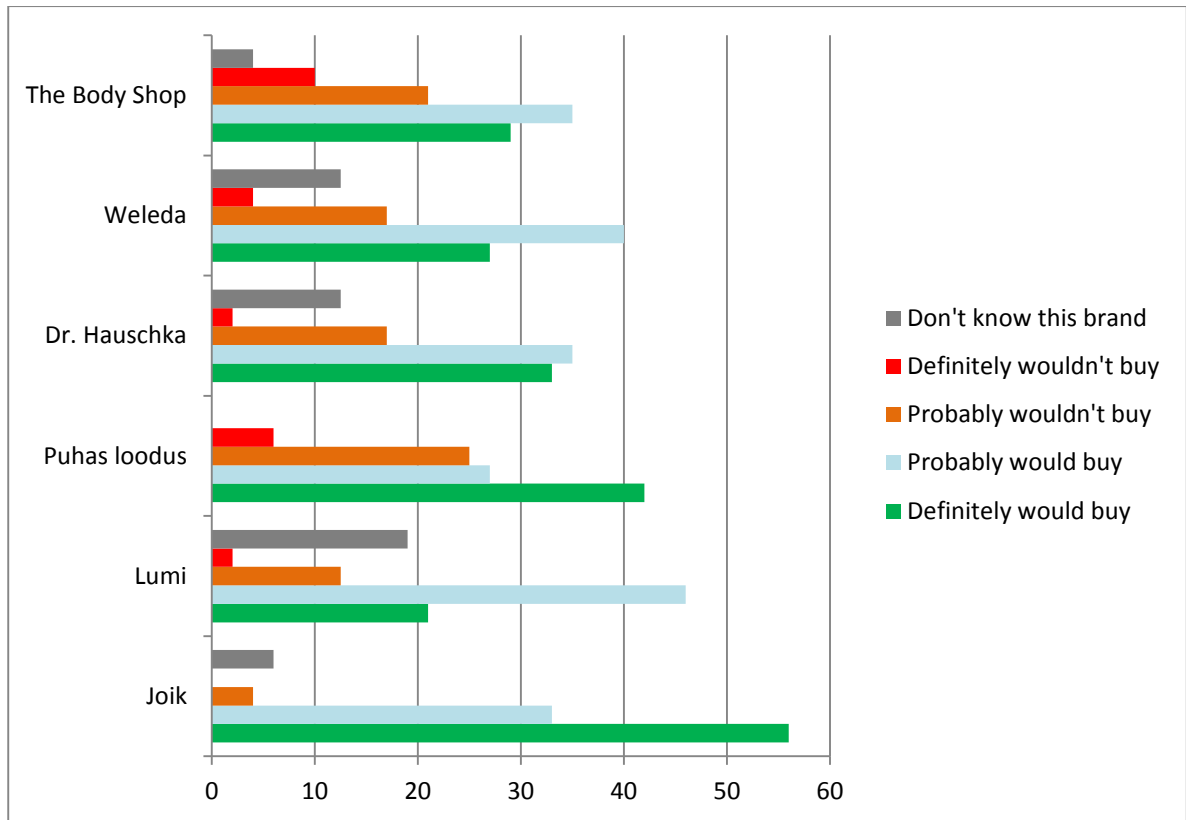


Figure 17. Likelihood to purchase the brands.

The interviews revealed the brand meanings and further feelings. People were satisfied with the overall quality of the products and the product design was found to be very rich and beautiful for all the products seen in the visited store. There were arguments towards The Body Shop and Puhas Loodus products since these are not perceived as completely natural. It proves that consumers are looking for additional information about products and companies' policies, which was also found by Mason. Therefore, even the brands state to use natural herbs and avoid chemical ingredients, they should still work on narrowing the gap between reality and consumer perception or work on their products to keep the promises towards product quality.

A great number of new brands have entered the natural beauty market in recent years and level of saturation is expected to reach. Therefore, next years are likely to indicate, which brands will find a place in the market, while others will disappear. As there are many small and new brands, strong differentiation strategy between these cannot be

seen and they should strengthen their marketing in order to stand out. It was stated earlier (see paragraph 2.1) by Kotler that partner relationship management is important in marketing and it is clear that different brands work closely with distributors, but also with delivery companies and banks. Customer relationship management (CRM) does not seem very developed as there are almost no actions taken for that. Some stores and distributors offer loyalty cards and most have social media pages, where customer is being involved in different activities, but that seems to be all.

4.6 Situation of In-Store Factors

Even though the natural beauty products are sold through variety of distribution channels in Estonia, only few pure natural beauty stores exist. Most of the individual brand stores are plain factory stores, distant from main shopping routes. Therefore, the focus of observation (Appendix 2) was on general natural beauty stores and due to their small number, most were visited. According to the survey results, these are also one of the most popular places to purchase these products (42% of the respondents purchase from there) (Figure 18). Other common places are pharmacies (48%) and online stores (40%). Due to their completely different positioning and product variety, only the natural beauty stores were chosen as these are solely focusing on relevant products.

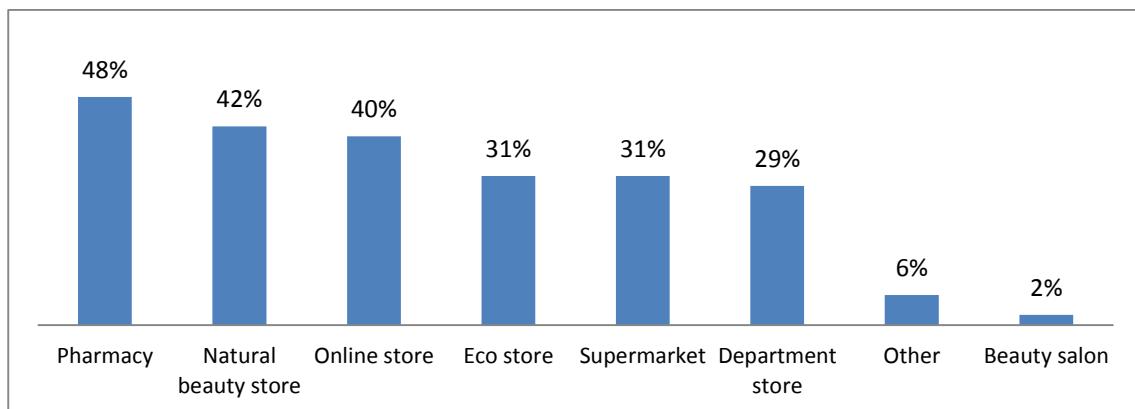


Figure 18. Common purchase places for natural beauty products.

Most stores are located in capital Tallinn and five biggest stores focusing on natural beauty products were found. Pillerkaar is situated in the city center and the newest of all the stores (opened in February 2015). It states to be the only store selling exclusively Estonian natural beauty brands, which differentiates them from current competitors. Having around 30 local brands, makes their store the best place to buy local natural beauty products. Store fixtures are from second hand market in order to communicate the natural and sustainable image. The store design uses clear, light and simple elements. That goes with the pure product lines, but can seem too pharmacy-like for some customers.

Mimesis has two stores in Tallinn and all products available have an eco-certificate. They offer some foreign natural beauty brands in addition to variety of local products. Tallinna Kaubamaja is one of the oldest department stores in the city and known for its quality, product variety and pleasant service. They have an extensive beauty department, which has been recently complemented by natural beauty section. The world-wide and exclusive brands with higher pricing level differentiate them from competitors. Therefore, their target would be successful business people, who prefer brands and luxury. Bio4You is trying to bring large variety of eco products to the market. Besides beauty products, nutrition and cleaning goods can be found. They have two stores in Tallinn and two more in other cities. The product and brand variety is very large and in the observed store even too extensive for that little space. When comparing the store with other eco stores in the market, they are offering wide variety of beauty products, while others keep beauty section small and tend to focus on eco food. As described in the previous chapter, The Body Shop is an international beauty chain and observed in order to highlight the differences between local and foreign stores.

The observation revealed the main problem to be in a rather complicated product allocation (Figure 19). Pillerkaar is using a mixed method, where products are placed by their type, but also by brands. The interviewees found it confusing as for example

body products were found under hair category and one shelf seemed to be entirely for products that did not fit anywhere else. Only mineral cosmetics section was clearly indicated. Mimesis has allocated its products by brands, but the distinction between these is not entirely clear as different brands get mixed on the shelves. Some products are allocated in the middle of the store under an angle, which is a good way to gain attention. Bio4You has used similar product allocation, but due to a really large brand selection, there is no clear distinction between different brands or product features.

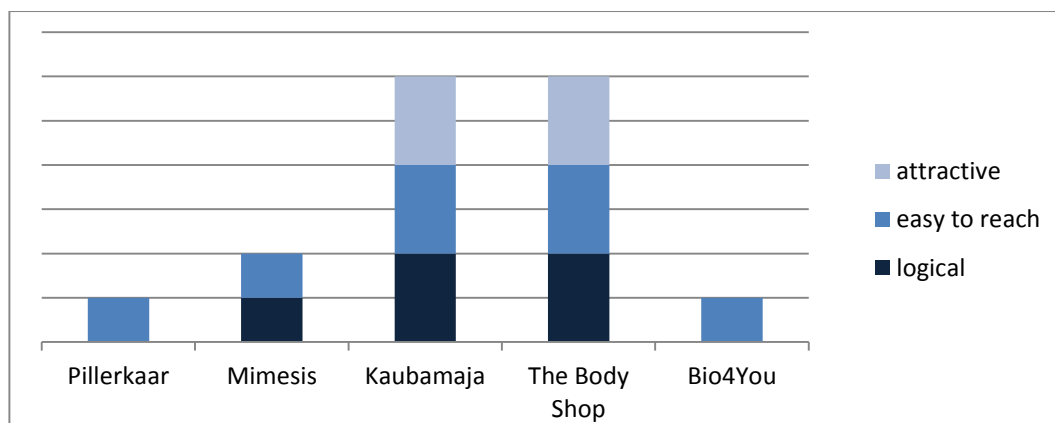


Figure 19. Product allocation in the observed stores.

Kaubamaja's natural beauty section and The Body Shop scored the highest at product allocation as both have clearly divided their products. Kaubamaja has separate shelves for each brand and the labels are rather easy to notice. The Body Shop has divided shelves between different product lines, while also dividing them by the product features. According to respondents' answers, logical layout is either important (52%) or very important (38%) and stores should put effort in organizing the shelves better (Figure 20).

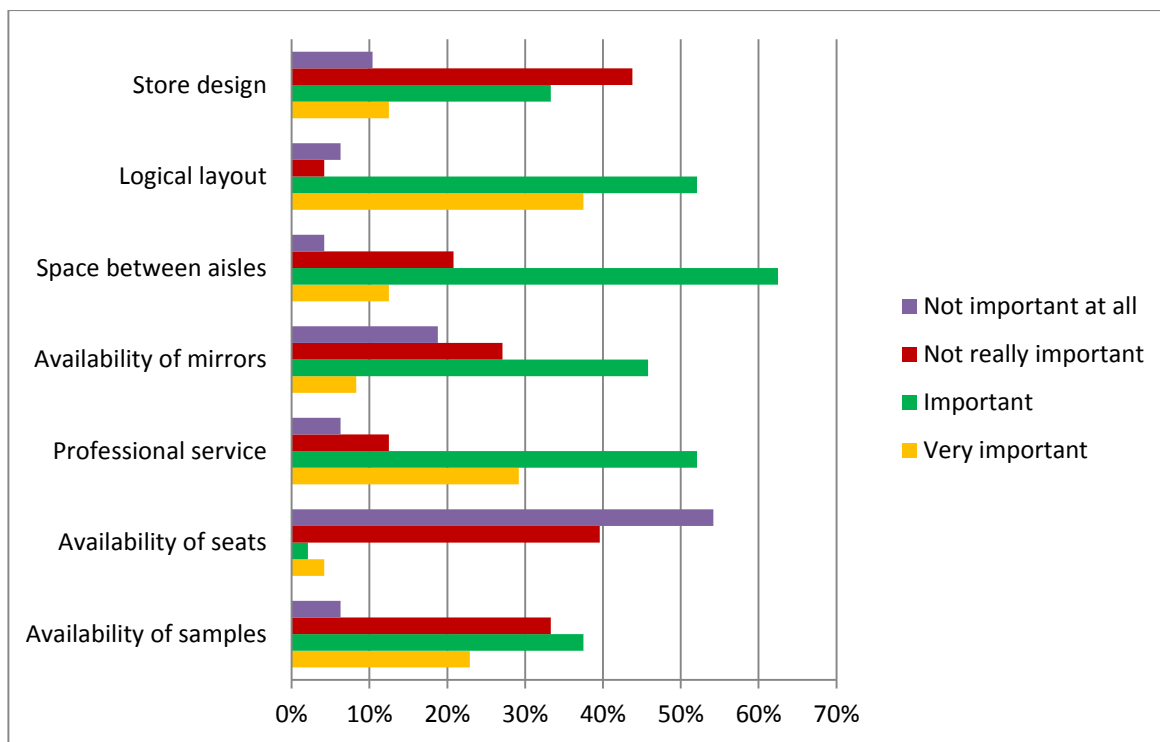


Figure 20. Importance of in-store factors.

All the visited stores used some kind of labeling for product groups, which were in most cases with a suitable size, but always placed above the shelves. Fact that consumer does not look much higher from eye level, makes most of these signs useless and visible only for minor group of visitors. Interviews proved the same point as general signs were either completely unnoticed or felt to be too high. Additionally, the price tags were found to be clear enough, but product labels too small to read.

According to the theory, the space between aisles is a great factor in creating comfort. When considering that a remarkable number of buyers are mothers with babies and prams, the room between shelves should be even greater. Only two stores could offer that spacious layout – Mimesis and Pillerkaar, while others would be difficult to access with a pram. Also, 75% of the respondents found it “important” or “very important” to have enough space in the store (Figure 20).

Most of the stores used modest design with no outstanding colors or lighting effects. Only Mimesis had brighter tones on the walls and dark furniture. Others were using a simple white coloring and some second hand fixtures. From ambient factors no scents or music were used. The general atmosphere was clean and simple, but nothing exceptional. Therefore, these factors could be improved as neutral level does not motivate buying decisions, but not necessarily as the respondents did not find design elements to be that important. Over half of the respondents did not feel the importance of store design, while 46% found it "important" or "very important" (Figure 20).

Overall service level in the stores was pleasant (Figure 21). The interviewees were also satisfied with the service in Pillerkaar as it was found to be good and professional and not too pushy. Unfortunately it seemed that the staff was not provided with the possibility to test the products, therefore they could recommend only a limited number of products.

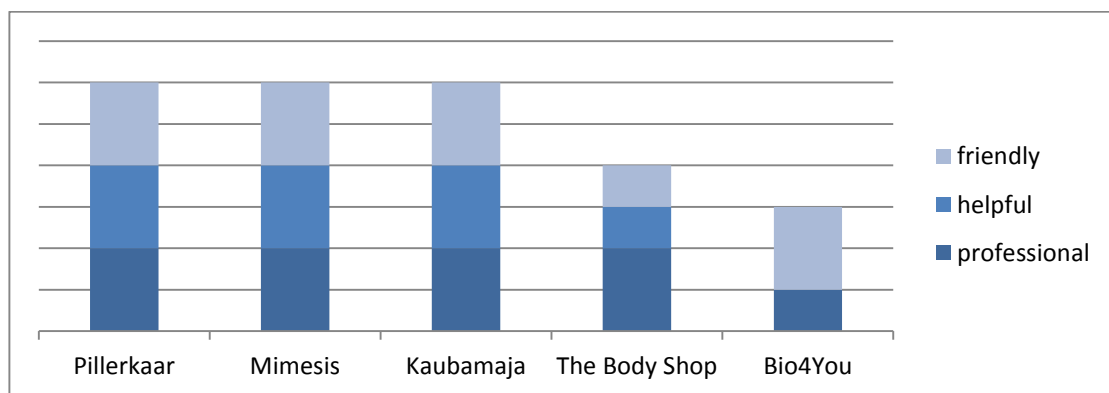


Figure 21. Level of service in the stores.

The results of the survey show that professional service is expected as 52% found it "important" and 29% "very important" (Figure 20). Also people were rather satisfied with the service they got, but there is definitely room for improvements.

All the stores had samples available for most of the products. The option to purchase sample sets was limited and only The Body Shop offers few smaller product packages

that can be used for testing or travelling. The theory states it to be an essential feature for stores and respondents found availability of samples to be mostly either "important" (37.5%) or "very important" (23%). Nevertheless, 33% feel that it is "not really important". (Figure 20)

Underhill has also stressed the importance of seats, shopping baskets and mirrors in order to increase the sales and create as pleasurable atmosphere as possible. Most of the stores had baskets suitable for small products such as cosmetics, but placed in a hardly noticeable spot. Best allocation was in Mimesis, where these were placed on the right side, bit further from the doors and above knee height. All stores had mirrors, although Kaubamaja and Bio4You could have had more. Also, Pillerkaar and Bio4You had no seats and only one rather uncomfortable chair was available in Kaubamaja. The survey results do not stress the importance of seats as it was important for only 6% of the respondents. The importance of mirrors is higher as 46% found it "important" and 27% "not really important". (Figure 20) The interviewees would have liked to see a seat or a spot to place their things, but admitted that this feature is not very common in Estonia.

The observation of display windows gave the weakest results as these were either missing or used in a poor manner. Option to attract passing people should be used on its fullest, but most stores had just set some products out without capturing any effective ways. Only The Body Shop managed to use different elements and angles for placing its products.

All the stores had some product lines for men, even though the variety was rather small. Most stores had placed these between other products, which makes it difficult for men to find desired products. Considering that men are more straight-forward in their shopping and wish to find right products quickly, these should be close to the entrance and easily distinguishable. Only Mimesis managed to achieve that.

To draw conclusions on the store situations in Estonia, we can say that it is satisfactory as even the most demanding customer should find a suitable product, but in-store

factors could be definitely improved. The created atmosphere was generally simple and fresh, which communicated the product type offered and fit the store image, but could stand out more. The main goal should be to clarify the product allocation and set the goods on a convenient height. The evaluation sheet allowed to rate each factor and the results gave highest points to The Body Shop, which was followed by Mimesis and Kaubamaja. Lowest points went to Bio4You. Pillerkaar was visited by the interviewees and scored low as well.

Conclusion

As stated at the beginning of the paper and seen from the variety of topics covered, consumer behavior is a broad area with numerous influencing factors. Current research tried to define the main theories and test their relevance to current market situation in the world and in Estonia towards natural beauty products and their consumers.

Due to the growing demand for chemically clean beauty products, there has been a rapid growth on the market and numerous new brands have been launched. The reports show generally a healthy growth rate over the world, but as all sectors, so are these influenced by the economy and a slight slowdown can be noticed during the recessions. Natural beauty products are still perceived more expensive and with a smaller product variety, when compared to traditional beauty products. Nevertheless, Estonian consumers find natural products to be more efficient and the price justifies itself due to the usage of higher quality ingredients.

The research results indicate the average consumer for natural beauty products in Estonia to be a woman from mid-twenties till forties. They most commonly have a bachelor's degree and an average monthly net income of 751-1050 Euros. Their personality shows a higher concern towards health and environment and open-mindedness for new products. Purchases are averagely done quarterly and the cost of the product is around 11-15 Euros. Most popular places to buy these are pharmacies, natural beauty stores and online stores. Therefore, the supermarkets were popular, but not the most preferred distribution channels as stated in the Euromonitor's report. General distribution of the products is much wider than it used to be and the products can be reached easily.

There does not appear to be a clear distinction between brands and their targeting as most are focusing on similar targets, which are younger, successful and sophisticated women. Majority of beauty producers have launched a new natural line and local companies tend to focus only on green products. They state to use ecologically clean

components and extracts, while eliminating at least the most harmful ingredients. A gap between promises given and consumer perceptions still appears as some brands are found to be not completely natural regardless of their product statements.

The first and most important step for marketers is to define and understand the consumers' needs and wants. This allows creating a product offering which would satisfy customers in its best way. Regardless of the location, natural beauty products are mostly purchased due to the growing concern over health and desire to avoid the usage of unnecessary chemicals. Many people choose these, because of the need for anti-allergic products. The aspect of environmentally friendly company and/or a recyclable package is also considered positive, but not the primary concern of the consumers. Besides that, there is a clear preference towards local brands in Estonia due to their price and trustfulness.

The usage of common consumer behavior models, such as Stimulus-Response and Consumer Decision Model, allowed evaluating the purchase decision making process based on natural beauty product consumers. In accordance to theory, the economic situation does have an influence on consumers as there is a greater price sensitivity noticed during the recession. Social aspect should also affect consumers as the consumption of green products can indicate person's status. Nevertheless, as this is usually a subconscious reason, it was not revealed by the research results, but stated in several previous reports. The Marketing Mix has its influence, since it was found that besides high quality product, the price and promotional offers affect purchase decisions. The place was stated to be least important, but might still have an unrevealed importance as recognized in the theory.

Based on the Consumer Decision Model, it was found that Estonians fully follow the theoretical purchase decision process. People search for information and evaluate the alternatives before the purchase. Most consumers have an internal search based on their previous experiences or friends' recommendation, and some might use external sources, such as Internet feedback, for product evaluation. We cannot agree with Simon's satisfying theory as consumers are mostly determined to find the optimum

choice instead of a satisfactory. Since the prices are higher than for traditional cosmetics and buyers have limited knowledge about the products, the decision-making for natural beauty items is still rather complex.

Observation of the in-store factors gave a thorough overview of the market situation. Regardless of numerous new local brands and presumable saturation within close years, only few stores focusing solely on natural beauty products exist. These ones have solid product variety and professional service, but the store atmospherics are rather modest and could need improvements towards creating a more pleasurable and convenient shopping experience. The consumers acknowledged the importance of logical layout, sufficient space and professional service, while store design was left unnoticed. Therefore, the influence of it can be arguable as people usually do not recognize the effect, but previous researchers have found the correlation between pleasant atmosphere and purchase likelihood.

To conclude, natural beauty market could have more transparency and orientation towards consumers. As the concept of products is still rather new, people would need guidance and support during their purchases till they feel more comfortable with impulsive buying decisions. The product certificates should be clearly distinguishable and brands keep their promises as consumers are more aware and constantly looking for further information. The natural beauty market is blossoming, which is good for consumers, but producers need to re-think their marketing strategies in order to differentiate themselves and gain success.

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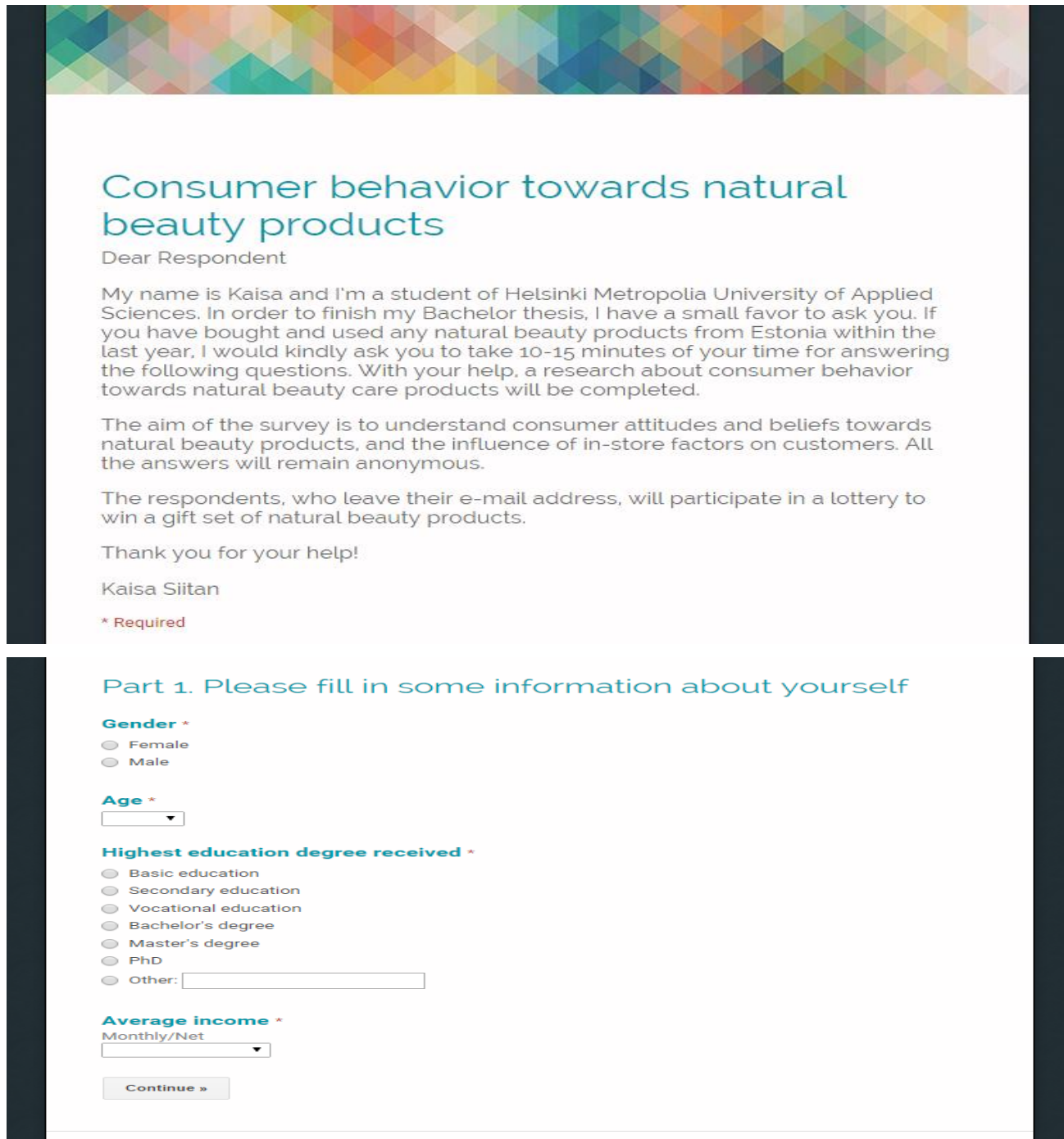
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Appendixes

Appendix 1. Questionnaire in English



The questionnaire form is titled "Consumer behavior towards natural beauty products" in a teal font. It is addressed to a "Dear Respondent" and is from Kaisa Siitan, a student at Helsinki Metropolia University of Applied Sciences. The text explains the purpose of the survey, which is to understand consumer attitudes and beliefs towards natural beauty products, and mentions a lottery prize for participants who provide their email address. The form is divided into sections by horizontal lines. The first section, "Part 1. Please fill in some information about yourself", contains three sub-sections: "Gender *", "Age *", and "Highest education degree received *". "Gender *" has radio buttons for "Female" and "Male". "Age *" has a dropdown menu. "Highest education degree received *" has radio buttons for "Basic education", "Secondary education", "Vocational education", "Bachelor's degree", "Master's degree", "PhD", and "Other:", followed by a text input field. The second sub-section, "Average income *", has a dropdown menu with "Monthly/Net" selected. At the bottom of the form is a "Continue »" button.

Consumer behavior towards natural beauty products

Dear Respondent

My name is Kaisa and I'm a student of Helsinki Metropolia University of Applied Sciences. In order to finish my Bachelor thesis, I have a small favor to ask you. If you have bought and used any natural beauty products from Estonia within the last year, I would kindly ask you to take 10-15 minutes of your time for answering the following questions. With your help, a research about consumer behavior towards natural beauty care products will be completed.

The aim of the survey is to understand consumer attitudes and beliefs towards natural beauty products, and the influence of in-store factors on customers. All the answers will remain anonymous.

The respondents, who leave their e-mail address, will participate in a lottery to win a gift set of natural beauty products.

Thank you for your help!

Kaisa Siitan

* Required

Part 1. Please fill in some information about yourself

Gender *

☐ Female

☐ Male

Age *

Highest education degree received *

☐ Basic education

☐ Secondary education

☐ Vocational education

☐ Bachelor's degree

☐ Master's degree

☐ PhD

☐ Other:

Average income *

Monthly/Net

Consumer behavior towards natural beauty products

* Required

Part 2. Following questions are about your general feelings towards the natural beauty products

When comparing natural beauty products to traditional beauty products, then natural beauty products are *

- ☐ More expensive
- ☐ In same price
- ☐ Cheaper

When comparing natural beauty products to traditional beauty products, then natural beauty products *

- ☐ Bring better results
- ☐ Bring same results
- ☐ Bring lower results

When comparing natural beauty products to traditional beauty products, then natural beauty products have *

- ☐ Wider product variety
- ☐ Similar product variety
- ☐ Smaller product variety

You use natural beauty products, because *

can choose more than one option

- ☐ You're concerned about your health
- ☐ You're concerned about the way chemical ingredients affect your body
- ☐ You're concerned about the environment
- ☐ Product fulfills its promises
- ☐ Products are not tested on animals
- ☐ Products are anti-allergic
- ☐ Products work better for you
- ☐ Other:

How clear are differences between various eco-certificates for you? *

- ☐ Very clear
- ☐ Clear
- ☐ Rather unclear
- ☐ Not clear at all

Do you prefer Estonian natural beauty products? *

- ☐ Yes
- ☐ No

Why? *

Please rank following brands by your likelihood to purchase these *

	Definitely would buy	Probably would buy	Probably wouldn't buy	Definitely wouldn't buy	Don't know this brand
Joik	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lumi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Orto/Puhas Loodus	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dr. Hauschka	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Weleda	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Body Shop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Continue »

Part 3. When answering following questions, please think about your previous purchase(s) of natural beauty products

Did you search for additional information about the product before purchase? *

- ☐ Yes
☐ No

Did you look for alternative options before purchasing the final product? *

- ☐ Yes
☐ No

How often do you purchase natural beauty products? *

- ☐ Once a week
☐ Once a month
☐ Quarterly
☐ Biannually
☐ Once a year

What is usually the price range of the products? *

- ☐ -4€
☐ 5-10€
☐ 11-15€
☐ 16-20€
☐ 21-25€
☐ 26€ and more

Where do you usually buy natural beauty products? *

can choose more than one option

- ☐ Natural beauty store
- ☐ Eco-store
- ☐ Pharmacy
- ☐ Department store
- ☐ Beauty salon
- ☐ Supermarket
- ☐ Online store
- ☐ Other:

Do you usually plan the purchase of natural beauty products beforehand? *

- ☐ Yes
- ☐ No

How do following factors influence your purchase decision? *

	Very influencing	Influencing	Not really influencing	Not influencing at all
Family/friends recommend a product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Positive online feedback	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Celebrities use the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promotional offer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your financial situation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Previous experiences with the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Previous experiences with the store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General popularity towards eco products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product has an accredited eco certificate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Continue »

Part 4. When answering following questions, please think about the stores you visited for purchasing natural beauty products

How important were following factors for you *

	Very important	Important	Not really important	Not important at all
Availability of samples	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of seats	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professional service provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of mirrors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enough space between aisles	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Logical layout	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Store design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How satisfied were you with the overall service (helpfulness, professionalism) in the store? *

1 2 3 4 5

Very satisfied ☐ ☐ ☐ ☐ ☐ Not satisfied at all

Thank you so much for your help!

If you'd like to participate in the draw for a gift set of beauty products, leave your e-mail address here

The winner will be notified by 21.04.2015

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Submit

Appendix 2. Observation sheet

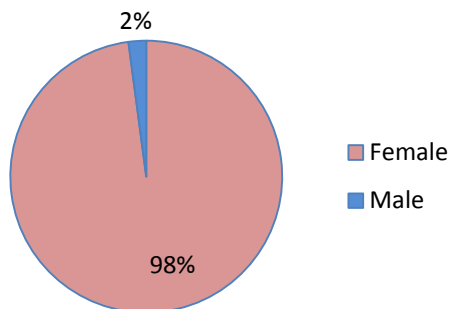
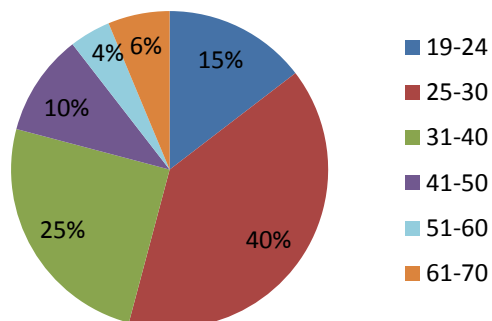
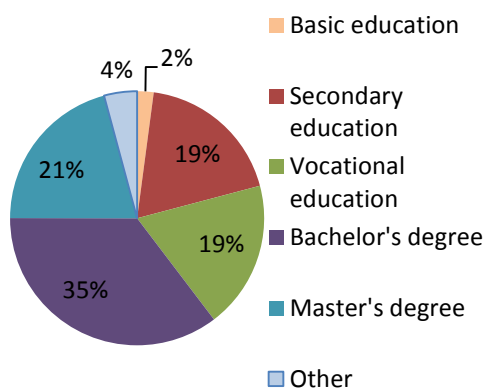
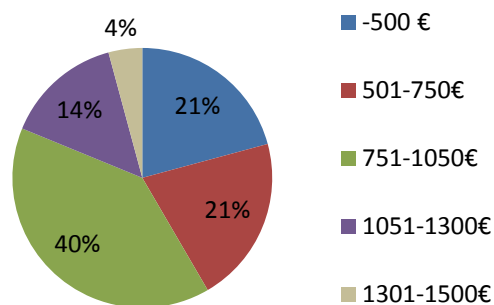
	Store		Pillerkaar	Mimesis	Kaubamaja	The Body Shop	Bio4You
1	Allocation of products	logical	X	√/X	√	√	X
		easy to reach	√/X	√/X	√	√	√/X
		attractive	X	X	√	√	X
2	Availability of samples		√	√	√	√	√
3	Possibility to purchase samples		X	X	X	√/X	X
3	Availability of seats		X	√	√/X	√	X
4	Availability of mirrors		√	√	√/X	√	√/X
5	Suitability of signs'	size	√	√	√	√	√/X
		allocation	X	X	√	X	X
6	Baskets'	availability	X	√	√	√	√
		allocation	-	√	X	X	X
		suitability*	-	√	√	√	√
7	Sufficient space between aisles		√	√	X	X	X
8	Display windows	attractive	X	X	-	√	-
		angles used	X	X	-	√	-
		sufficient lighting	√/X	√/X	-	√	-
		size**	X	X	-	√	-
9	Products for men	availability	√	√	√	√	√
		allocation	X	√	X	X	X
		diversity	√/X	√/X	√/X	√/X	√/X
10	Service	professional	√	√	√	√	√/X
		helpful	√	√	√	√/X	X
		friendly	√	√	√	√/X	√
11	Lighting effects used		X	X	X	X	X
	Score (max 24)		9.5p	15p	13.5p	17p	7.5p

√	Yes	1p
X	No	0p
√/X	Limited	0.5p
-	Missing	0p

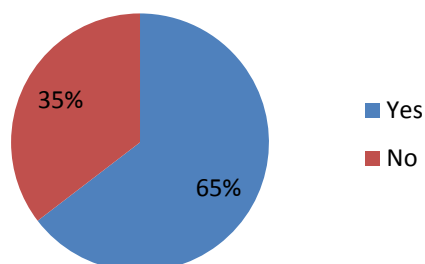
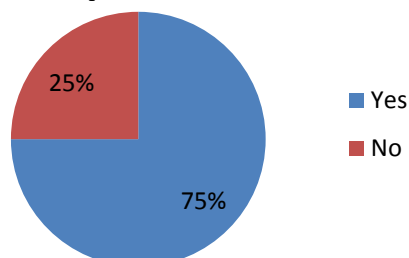
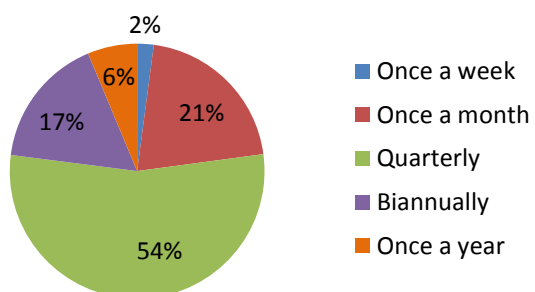
* - baskets are suitable for the store's products

** - objects used can be seen from distance

Appendix 3. Characteristics of the consumers using natural beauty products

Gender**Age****Highest education****Average monthly net income**

Appendix 4. Purchase behavior towards natural beauty products

Search prior the purchase**Evaluate alternatives prior the purchase****Frequency of purchases****Average price range of purchases**